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RESEARCH

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Estimating Customers' Willingness to Pay for Changes in Service at PR24

Prepared for Wessex Water

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Executive Summary

NERA Economic Consulting (NERA) and Qa Research (Qa) were commissioned by Wessex Water (WW) to design, implement and analyse a stated preference (SP) survey to estimate customers' willingness to pay (WTP) for improvements in the service provided by WW. WW intends to use the findings from this study to inform development of its business plan ahead of the next price control period, PR24.

Design of Stated Preference Survey

Our stated preference survey asked customers to choose their preferred combination of bill adjustments and service levels for ten distinct attributes for the price control period 2025-2030. Each of the ten attributes reflects a different outcome of WW's activities. Five of the attributes relate to environmental outcomes (e.g. "supporting nature and wildlife"), while the remaining five attributes relate to service outcomes (e.g. "improving water quality").

For each attribute, customers could select one of four options. They could choose to maintain the status quo service level and not change their bill; they could select a deterioration in service that would reduce their bill; or they could select either a small or large improvement in service that would increase their bill by either a small or large amount. The bill adjustments that customers saw were tailored to the customer in question based on information they provided about their current bill.

Over a period of three months between February and April 2022, we collected stated preference data from 6,965 household customers and 91 non-household customers. This included water-only and sewerage-only customers as well as dual-service customers.

Incorporating Guidance on Best Practice

We have adopted an innovative approach in this stated preference study that addresses a range of concerns raised by the Consumer Council for Water (CCW) and others following a review of stated preference studies conducted at the previous price control, PR19.

Following PR19, the CCW commissioned a study from Blue Marble on water companies' customer engagement research which identified a number of concerns about water companies' use of traditional WTP studies. Traditional WTP studies first present customers with information about a number of attributes, then ask customers to make a series of choices between pre-defined packages comprising service levels for a number of different attributes and a fixed bill amount. The CCW/Blue Marble study highlighted that such studies are often not easy for customers to complete. It found that customers struggle to retain all the information about attributes presented at the beginning of the survey and find the pre-defined packages and the requirement to make multiple choices between pairs confusing.

Our innovative approach addresses various concerns raised by the Blue Marble report. We ask customers to make decisions about only one attribute at a time and provide information about that attribute at the point where the customer is asked to make the decision, so customers are not required to retain information. We allow customers to construct their preferred package by combining choices on individual attributes, rather

than requiring them to choose between pre-defined packages. Each customer is only asked to construct one preferred package.

This approach appears to yield more effective customer engagement than alternative approaches. We achieve an overall online response rate of 6.8 per cent among household customers, which is much higher than response rates for previous surveys carried out by WW, which we understand ranged between 1.7 and 3.7 per cent. We also find that a high proportion of customers report that they found the survey easy to understand. Specifically, 93 per cent of household respondents understood the ten attributes "very well" or "quite well", while 72 per cent found it "very easy" or "quite easy" to understand the options presented.

The high response rate to our survey means that we have a large number of survey responses from a range of groups defined in terms of demographic and billing characteristics. This gives us confidence that our WTP analysis can accurately identify differences in customers' attitudes across demographic groups, and therefore control for differences between our sample and population demographics when we estimate average willingness to pay.

In addition to taking steps to respond to the CCW/Blue Marble concerns about traditional WTP studies, we have also adhered to the standards for high-quality research and customer engagement set out by Ofwat in advance of PR24. We established continuity in WW's customer engagement by incorporating results from previous customer engagement work by Accent when defining attributes. To ensure the survey was neutral, fit for purpose, and inclusive we adopted an iterative process of survey development that allowed us to incorporate feedback from customers (through qualitative and cognitive studies and a pilot) and advice from the Customer Challenge Group (CCG). This gives us confidence that the results presented in the report constitute meaningful evidence about customer preferences that WW can incorporate into its business planning for PR24.

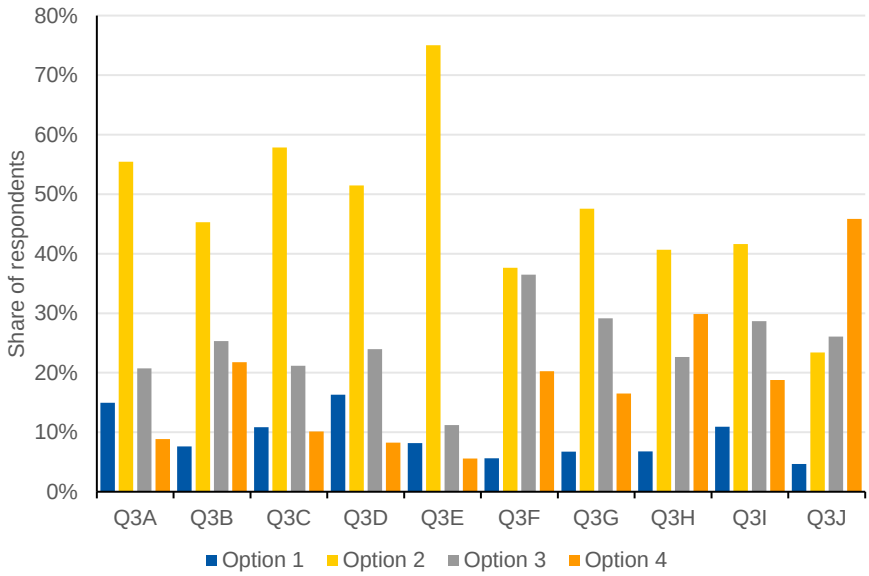
Approach to Willingness-to-Pay Estimation

To estimate customer WTP for service improvements based on the survey data we collected, we rely on an econometric model that estimates customers' willingness to pay for changes in the service level. For example, for the service attribute "improving water quality", the econometric model tests whether and by how much customers are willing to pay for a unit reduction in the number of water quality test failures.

We also test whether customers attach additional value to the status quo option, over and above the value implied by their WTP for the incremental difference in service level between the status quo and other service levels. We test this because we observe in the data that customers choose the status quo option ("Option 2" in Figure 1) with high probability and across most attributes (denoted by Q3A-Q3J) and because previous studies of WTP for water services in England and Wales have found evidence of this additional preference for the status quo.[1]

[1] See for example Lanz, B. and Provins, A. (2015), *Using discrete choice experiments to regulate the provision of water services: do status quo choices reflect preferences? Journal of Regulatory Economics 47,* pp. 300-324

Figure 1: Most Customers Select the Status Quo (Option 2) for All but One Attribute



Source: NERA analysis of WTP survey data.

For household customers, we estimate two different models to get a range of credible values for customer WTP. In the "simple" model, we estimate WTP for the sample of customers in the dataset we collected. However, this sample is not representative of the WW customer base on some demographic dimensions (e.g. gender and socioeconomic status), and so in the second "adjusted" model, we adjust our WTP estimates in an effort to make them more representative of the WW customer base.

For non-household (NHH) customers, we estimate a single, "simple" model with no adjustment. We do not estimate an adjusted model because our sample of NHH customers is too small for us to adjust the estimates to be representative of the WW customer base. We estimate the simple model in terms of percentage changes in the bill rather than pound values to avoid difficulties with scaling (because the water bill of a NHH customer that is a small retail store will be of a different order of magnitude to that of a farm or manufacturer).

Willingness-to-Pay Results

From the models described above, we find the following results for household customers:

- Customers attach a statistically significant additional value to retaining the status quo option and avoiding deteriorations in service. We see this across all attributes of service.
- By contrast, there is much more limited evidence that customers are willing to pay for improvements in service, again because customers seem to prefer the status quo to improvement options. In the "simple" model, customers show some willingness to pay for improvement in service attributes, but this does not appear to be the case in the "adjusted" model, where we do not find such strong evidence for customers being willing to pay for improvement.

- The main exception is the willingness to pay customers have for environmental attributes. We find that customers do have some willingness to pay for improvements in attribute J "supporting nature and wildlife" in the "adjusted" model. In the "simple" model, our results show that customers would be willing to pay to switch to an improvement in service for all environmental attributes.

- We find evidence of variation in willingness to pay across customer sub-groups. We find that relatively "advantaged" customer groups (e.g. with higher levels of education, not on a social tariff, or who do not report struggling to pay their bills, among others) are willing to pay for improvements in environmental attributes other than attribute J "supporting nature and wildlife". On the other hand, relatively "disadvantaged" customer groups (those interviewed through the vulnerable customer survey and those who report struggling to pay their bill) are not willing to pay for improvements in any attribute.

The estimates from the adjusted model are not necessarily more accurate than the estimates from the simple model: the adjusted model is estimated on a reduced sample, as some customers chose not to respond to demographic questions, and relies on some assumptions about the nature of the WW customer base. We therefore view the simple and adjusted models as providing a range for the estimate of WTP, as shown in Table 1 below.

For NHH customers (see Table 2), we find evidence of willingness to pay for improvements in service for all five environmental attributes, and for one service attribute (attribute B, "improving water quality"). NHH customers place additional value on the status quo for some attributes only. These are typically service attributes where we see no evidence that NHH customers are willing to pay for incremental improvements in service (attributes A, C, and E).

One possible explanation for the difference between household and NHH customers is that NHH customers may be more familiar with some of the technical service attributes and therefore more willing to spend more on improvement. For example, attribute B deals with failures to meet regulatory standards for water quality. NHH customers may encounter similar regulatory standards in their own industries and therefore be more familiar with the implications of failing to meet regulatory standards.

Table 1: Willingness to Pay Results - Household Customers (£/hh/yr)

Attribute	Simple Model					Adjusted Model					Range				
	*Under-lying WTP (-1)**	*Under-lying WTP (SQ)*	*Under-lying WTP (+1)*	*Under-lying WTP (+2)*	*Addition-al SQ Prefer-ence*	*Under-lying WTP (-1)**	*Under-lying WTP (SQ)*	*Under-lying WTP (+1)*	*Under-lying WTP (+2)*	*Addition-al SQ Prefer-ence*	*Under-lying WTP (-1)**	*Under-lying WTP (SQ)*	*Under-lying WTP (+1)*	*Under-lying WTP (+2)*	*Addition-al SQ Prefer-ence*
A Reducing lengthy water supply interruptions		0.00	0.00	0.00	18.53		0.00	0.00	0.00	12.39		0.00	0.00	0.00	12.39-18.53
B Improving water quality		13.74	19.23	21.98	14.77		0.00	0.00	0.00	21.12		0.00-13.74	0.00-19.23	0.00-21.98	14.77-21.12
C Reducing Internal & External Sewer flooding		3.24	6.48	9.72	20.45		0.00	0.00	0.00	24.34		0.00-3.24	0.00-6.48	0.00-9.72	20.45-24.34
D Helping customers experiencing financial difficulty		0.57	1.43	5.45	15.02		0.00	0.00	0.00	16.06		0.00-0.57	0.00-1.43	0.00-5.45	15.02-16.06
E Improving customer service		1.84	3.69	5.53	32.53		0.00	0.00	0.00	36.39		0.00-1.84	0.00-3.69	0.00-5.53	32.53-36.39
F Taking water out of rivers & streams		9.37	18.74	28.12	13.33		2.62	5.23	7.85	18.33		2.62-9.37	5.23-18.74	7.85-28.12	13.33-18.33
G Reducing wastewater pollution incidents		9.33	18.66	27.99	16.30		0.00	0.00	0.00	19.68		0.00-9.33	0.00-18.66	0.00-27.99	16.30-19.68
H Improving river and coastal water quality		10.94	32.81	43.75	19.68		7.93	23.79	31.72	24.90		7.93-10.94	23.79-32.81	31.72-43.75	19.68-24.90
I Achieving net zero carbon emissions		7.93	14.74	22.67	11.83		0.00	0.00	0.00	18.40		0.00-7.93	0.00-14.74	0.00-22.67	11.83-18.40
J Supporting nature & wildlife		11.69	23.38	35.06	10.99		10.86	21.72	32.57	0.00		10.86-11.69	21.72-23.38	32.57-35.06	0.00-10.99

**Left blank, as all values shown relative to the deterioration option*
Source: NERA analysis of WTP survey data.

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Table 2: Willingness to Pay Results – Non-Household Customers (% of current perceived bill/customer/yr)

Attribute		Simple Model				
		*Under-lying WTP (-1)**	*Under-lying WTP (SQ)*	*Under-lying WTP (+1)*	*Under-lying WTP (+2)*	*Addition-al SQ Prefer-ence*
A	Reducing lengthy water supply interruptions		0.00%	0.00%	0.00%	2.87%
B	Improving water quality		3.11%	4.35%	4.98%	0.00%
C	Reducing Internal & External Sewer flooding		0.00%	0.00%	0.00%	2.93%
D	Helping customers experiencing financial difficulty		0.00%	0.00%	0.00%	0.00%
E	Improving customer service		0.00%	0.00%	0.00%	4.54%
F	Taking water out of rivers & streams		1.53%	3.06%	4.59%	0.00%
G	Reducing wastewater pollution incidents		1.33%	2.67%	4.00%	0.00%
H	Improving river and coastal water quality		1.86%	5.58%	7.44%	3.05%
I	Achieving net zero carbon emissions		1.12%	2.08%	3.20%	0.00%
J	Supporting nature & wildlife		1.67%	3.34%	5.00%	0.00%

**Left blank, as all values shown relative to the deterioration option*

Source: NERA analysis of WTP survey data.

Further Qualitative Research on Motivations for Customers' Responses

We conducted a follow-up qualitative study to better understand why customers attach so much additional value to the status quo levels of service. The study consisted of a number of focus groups and in-depth interviews with customers who had selected the status quo for several of the non-environmental attributes (i.e. the attributes related to service outcomes) and had agreed to follow-up contact.

This study showed that, for most customers, the additional value they attach to the status quo is a true preference reflecting their willingness to pay for changes in each attribute. We reach this conclusion because there was no evidence to suggest that customers were defaulting to the status quo either because they failed to understand the survey questions or because they were happy for WW to make decisions about the topic on their behalf. The focus on the status quo was – for many customers – a genuine choice to avoid deterioration but without incurring additional costs to improve on what was already a satisfactory service.

A small number of customers selected the status quo either because they were mistrustful that the money would be spent as promised, or because they held a general belief that water should not be privatised; but these were minority views. Hence, we conclude that such motivations did not materially influence customers' choices, and the preference for the status quo choices was driven by customers' true WTP for changes in service.

Conclusions

Overall, considering both our quantitative analysis of the survey data and the follow-up qualitative research, our research suggests that, on average, both household and non-household customers are willing to pay for improvements to environmental attributes, in particular for attribute J "supporting nature and wildlife". It would therefore be consistent with customers' preferences for WW to include in its PR24 business plan additional investments to achieve the proposed higher service levels for those attributes, provided that customer WTP is above the cost per customer of the investment. Further targeted qualitative research may be useful to understand exactly how customers would like WW to allocate the additional investment to particular environmental initiatives, since the descriptions of the service level improvements in this survey were necessarily high-level.

While household customers are on average willing to pay for improvements in environmental attributes, the finding that disadvantaged groups are less willing to pay for improvements represents a challenge when selecting the improvements that WW should offer as part of its business plan. WW provides services that are "public goods" from which all customers benefit, so it cannot to provide improvements for some customers but not for others. One potential avenue to address this challenge would be to adjust the tariff structure so that the burden of paying for improvements in environmental attributes does not fall on more disadvantaged customers, though developing such adjustments to the tariff structure would require further research and engagement.

The status quo preference observed among household customers also indicates that they are averse to deterioration in service, which suggests a strong case for a PR24 business plan that maintains at least the current level of service for all attributes.

1. Introduction

NERA Economic Consulting (NERA) and Qa Research (Qa) were commissioned by Wessex Water (WW) to design, implement and analyse a stated preference (SP) survey to estimate customers' willingness to pay (WTP) for improvements in the service provided by WW. This study covered both domestic (household, or HH) and non-domestic (non-household, or NHH) customers and included all three of the following WW customer groups: water and wastewater, water only, and wastewater only.

The project consisted of five main parts:

1. Set up and design of the study, defining service attributes, testing customer comprehension of attribute descriptions and then refining them, designing and building the survey, and selecting the SP technique;
2. Survey testing through cognitive interviews, pilot fieldwork, and analysis of pilot results;
3. Fieldwork, consisting of online and face-to-face surveys;
4. Quantitative analysis of the fieldwork data to derive WTP estimates and conduct sensitivity and robustness checks;
5. Follow-up qualitative analysis to better understand the preference for the status quo observed in the main survey.

This report is set out as follows:

- Section 2 explains the set-up and design of both the main study and the follow-up qualitative research on status quo preferences. This section includes a description of adjustments we made to the main survey following cognitive testing and analysis of results from the pilot study. It also includes a discussion of how this WTP research incorporates guidance on best practice.
- Section 3 describes the data collected as a result of our main-stage fieldwork and our follow-up qualitative analysis.
- Section 4 sets out the findings of our research. The main findings are the WTP estimates, and we include here a description of the statistical approach used to derive those estimates. We also discuss the findings from our follow-up research on status quo preference.
- Section 5 concludes.

2. Study Design

The basic idea of a stated preference study is to give a sample of individuals the opportunity to state their preferences about a set of economic trade-offs. It is then possible to draw conclusions about average or typical preferences based on the data collected from that sample.

In the study at hand, we give a representative sample of the WW customer base an opportunity to state their preferences about trade-offs between attributes of the service provided by WW, and the cost of providing those services. We then use the data collected to draw conclusions about the preferences of the typical WW customer regarding these trade-offs, which WW can in turn use to plan investment in its service offerings in a way that responds to customer preferences.

We worked closely with WW to design the stated preference study such that we could draw robust conclusions from the data that would provide meaningful input to WW's business planning process. In this section, we set out the key design features of the study and explain how our design choices ensure that our conclusions are robust and meaningful.

- Section 2.1 lists the ten service attributes about which we elicit customer preferences and describes the process we used to select a set of attributes that reflects customer priorities. It also explains how we ensure that the survey provides customers with appropriate information to understand each attribute and make an informed decision about the trade-offs presented to them.
- Section 2.2 explains how we used customer co-development workshops to ensure that the attributes we study reflect customer priorities and are presented in a way that is understandable to customers.
- Section 2.2 sets out the structure of the questionnaire that customers received.
- Section 2.4 describes the format of the stated preference questions that we pose to customers. It explains how we ensure that the costs that customers face are credible and relevant to them. It also explains how we have responded to customer feedback on previous stated preference surveys to reduce the complexity of the questionnaire while giving customers more flexibility in expressing preferences.
- Section 2.5 provides information on additional data that was collected as part of the survey, which we use to contextualise our findings and examine whether our conclusions are robust across different WW customer sub-groups.
- Section 2.6 explains how we used cognitive testing and a pilot study to test that the survey design was accessible to customers and elicited plausible customer preferences.
- Section 2.7 explains how we conducted a follow-up qualitative study to better understand customers' motivations for selecting the status quo option for some attributes.
- Section 2.7 describes how we adhered to Ofwat guidance on best practice in customer engagement throughout the study and how we incorporated advice and suggestions from WW's Customer Challenge Group (CCG) in developing the survey.

We survey both household (HH) customers and non-household (NHH) customers. The NHH survey differs slightly to the HH survey, and we highlight this where relevant throughout this section.

2.1. Service Attributes Selected for Evaluation

We examine customer WTP for ten different service attributes in this study. Each service attribute captures an outcome of WW's activities where additional investment could lead to improvement, or less investment could lead to a deterioration in service. Table 2.1 shows a list of all ten attributes. We developed descriptions of the ten attributes to appear in the survey through an iterative process including discussions with WW, feedback from WW's CCG, and testing of the attributes and associated material with WW customers.

Table 2.1: We Examined Customer WTP for Ten Service Attributes

	Attribute
A	Reducing lengthy water supply interruptions
B	Improving water quality
C	Reducing internal & external sewer flooding
D	Helping customers experiencing financial difficulty
E	Improving customer service
F	Taking water out of rivers & streams
G	Reducing wastewater pollution incidents
H	Improving river and coastal water quality
I	Achieving net zero carbon emissions
J	Supporting nature & wildlife

Source: WTP survey for WW

WW provided an initial list of attributes based on the results of a 2021 Accent study on customer priorities, commissioned as part of WW's research on its strategic direction in advance of PR24.[2] That study examined how customers prioritised different outcomes of WW's activities.[3]

Through qualitative engagement with customers, Accent derived twelve outcomes that reflected customer priorities, and found that eleven of those outcomes could be grouped into three priority areas, as set out in Table 2.2. In subsequent quantitative research, over 85 per cent of respondents agreed that the set of outcomes under each priority area was complete, in the sense that no outcomes should be added or excluded.[4]

The first two priority areas reflect outcomes of WW's core activities that could be improved by additional investment and therefore are suitable for assessment through a stated preference WTP study. However, WW identified that the outcomes within the priority area "Serving Wessex Water's communities", whilst important, do not reflect outcomes of WW's core

[2] Accent (October 2021), Reviewing Strategic Direction and Social Purpose – Final Report – prepared for Wessex Water

[3] Outcomes capture the impact of WW activities on things that matter to customers, as distinct from the direct inputs or outputs of WW activities.

[4] Results from a survey of 1,627 WW customers. See Accent (October 2021), Reviewing Strategic Direction and Social Purpose – Final Report – prepared for Wessex Water, pp. 28-33.

activities; instead, they are enablers of (or inputs to) those outcomes. Therefore, these two outcomes are excluded from this WTP study.

WW further identified that one of the customer outcomes, "protecting and improving river and beach water quality", could be split into two outcomes: one relating to wastewater pollution incidents, and the other relating to the ongoing level of chemical pollution in the water. Therefore, WW proposed to test two attributes for this customer priority, as shown in Table 2.2, leading to a final count of ten attributes.

Table 2.2: Our Ten Service Attributes are Derived from WW Customer Priorities

Customer priorities based on 2021 study		Associated service attributes	
Area 1: Serving every customer			
1	Delivering safe, quality drinking water	A	Improving water quality
2	Providing a continued, reliable water supply	B	Reducing lengthy water supply interruptions
3	Providing high quality customer service so that any customer can easily access their services and support	E	Improving customer service
4	Ensuring bills are fair and affordable for all	D	Helping customers experiencing financial difficulty
5	Keeping the sewage service working	C	Reducing internal and external sewer flooding
Area 2: Protecting and enhancing the environment			
6	Reducing the amount of water taken from local habitats	F	Taking water out of rivers and streams
7	Improving ecosystems and increasing biodiversity	J	Supporting nature and wildlife
8	Reaching net zero by 2040	I	Achieving net zero carbon emissions
9	Protecting and improving river and beach water quality	G; H	Reducing wastewater pollution incidents; Improving river and coastal water quality
Serving Wessex Water's communities			
10	Improving the impact on local communities for example volunteering to support community schemes		
11	Improving customers' perceptions of the value of water		

Source: WTP survey for WW

Having selected the ten attributes of interest, we worked with WW to develop the associated material for each attribute that we shared with customers to ensure that they would make informed decisions in the stated preference study. The associated material comprised:

- A description of each attribute;
- A description of the current service level for that attribute;
- A summary of how additional investment would impact the service level for that attribute;

- Four distinct service levels that WW could achieve by varying investment in that attribute: a deterioration in service, maintaining the status quo, a small improvement in service, and a larger improvement in service.

We presented the selected attributes and associated material to household and non-household customers at a series of co-development workshops. The purpose of these workshops was to assess whether the attributes and associated material made sense to customers. Based on the insights gained from these workshops, we further refined the material to ensure that it was understandable to customers while still providing useful material for business planning purposes. We discuss this further in Section 2.2.

We tested the revised attributes and associated material further in cognitive interviews and undertook a pilot study, before finalising the main survey. The final material for each attribute is set out in the tables below. Table 2.3 shows the description of each attribute, its current service level, and the impact of additional investment. Table 2.4 shows the four service levels for each attribute that customers were asked to choose between.

Table 2.3: We Provide Customers with a Description of Each Attribute, the Current Service Level, and Potential Impact of Additional Investment

Attribute	Issue	Current situation	What could change
A Reducing lengthy water supply interruptions	Every year some customers experience their water supply being cut-off for more than 3 hours due to planned or unplanned maintenance work such as repairing burst pipes.	Every year around 1 in 65 properties experience their water supply being cut-off for more than 3 hours.	More investment, such as using technology to identify water bursts and repairing bursts more quickly would reduce the number of properties that experience this.
B Improving water quality	Occasionally the quality of tap water in the region does not achieve the standards set in the Water Supply Regulations.	Of the 29,000 water quality tests carried out per year, around 25 fail. These failures could be at a customer property or in Wessex Water's network affecting a larger number of customers.	Investing more to protect our water sources and reservoirs, to reduce the effect of lead pipes on water quality and working with customers to reduce the impact in their homes will reduce the risk of water quality failure.
C Reducing internal & external sewer flooding	Every year some customers experience sewage flooding which can be internal (inside their properties) and/or external (in their gardens or on their property).	Each year around 1 in 7,700 properties experience internal flooding and 1 in 625 experience external flooding.	Investing more in activities such as technology to respond to issues more quickly, and working with customers to prevent sewer blockages (e.g. education about what not to flush down the toilet), will reduce the number of incidents.
D Helping customers experiencing financial difficulty	Due to financial hardship some customers struggle to pay their water bill.	It is estimated that around 80,000 customers in the Wessex Water region (around 6.5%) currently struggle to pay their water bill.	Increasing bills would mean Wessex Water has more money to help customers who are struggling to pay their water bill, so more customers could be helped through water saving advice and discounted bills.
E Improving customer service	To provide excellent levels of customer service.	For customer satisfaction, Wessex Water is currently rated top out of 11 water & sewerage companies in England and Wales.	Greater investment would mean Wessex Water can provide a better service and be amongst the top companies across all sectors (not just water companies). This could be through a better online experience, keeping customers better informed when there are problems, and responding to incidents more quickly.

Attribute	Issue	Current situation	What could change
F Taking water out of rivers & streams	To protect the environment whilst achieving a balance between taking water out of rivers, streams and providing water for a growing number of customers.	Wessex Water currently strikes a good balance between taking water out, while also protecting the environment, but the amount of water it can take from its existing sources is reducing.	Greater investment in activities such as helping customers reduce their water use, the creation of more water sources like reservoirs, and Wessex Water reducing leakage from its network would mean Wessex Water can still protect the environment whilst having enough water for customers.
G Reducing wastewater pollution incidents	The environment is affected by a small number of wastewater pollution incidents in the region each year.	Each year there are around 70 wastewater pollution incidents in the Wessex Water region.	Greater investment in areas such as more maintenance, repair and monitoring of sewers along with educating customers about what to and what not to put down the drain, will reduce the number of these incidents.
H Improving river and coastal water quality	Chemicals and fertilisers from agriculture, pollution from industry and discharges from wastewater treatment works have a negative impact on river and coastal water quality across the region.	The levels of damaging chemicals in some places are 40% higher than they should be.	Although some of this is out of its control, greater investment by Wessex Water would improve river and coastal water quality. This would benefit nature and wildlife by reducing the levels of damaging chemicals in the water.
I Achieving net zero carbon emissions	Providing water and sewerage services requires energy and activities which generate carbon emissions. Wessex Water's current emissions are 100 kts.	Wessex Water has reduced its carbon emissions by 25% over the last 4 years and is committed to reducing it further (in line with government targets).	By investing more money in actions such as changing vehicles to electric and increasing the use of renewable energy, Wessex Water could become carbon neutral by 2030.
J Supporting nature & wildlife	Wessex Water's actions have an impact on nature and wildlife in the region.	Wessex Water protects nature and wildlife through its day to day activities, but could do more every time a change is needed on its sites.	Greater investment would pay for more projects and nature-based solutions, such as new wetlands for wastewater treatment, creation of woodland and protecting water sources through working with farmers, all of which would enhance nature and wildlife in the region.

Source: WTP survey for WW

Table 2.4: Customers Can Choose Between Four Service Levels for Each Attribute

Attribute	Deterioration	Status Quo	Small Improvement	Large Improvement
A Reducing lengthy water supply interruptions	1-in-40	1-in-65	1-in-80	1-in-220
B Improving water quality	Around 50 test failures	Around 25 test failures	Around 15 test failures	Around 10 test failures
C Reducing Internal & External Sewer flooding	External: 1-in-575 properties Internal: 1-in-7,000 properties	External: 1-in-625 properties Internal: 1-in-7,700 properties	External: 1-in-700 properties Internal: 1-in-8,300 properties	External: 1-in-800 properties Internal: 1-in-9,300 properties
D Helping customers experiencing financial difficulty	88,000 (7.2% of households)	80,000 (6.5% of households)	68,000 (5.5% of households)	12,000 (1% of households)
E Improving customer service	Slower response times to phone calls and incidents	Current standard of customer service	Better online access and incident updates	Better online access and incident updates, plus faster response times to incidents
F Taking water out of rivers & streams	Take more water from rivers and streams with some negative environmental impact	Maintain current activities	Improve the way water is taken from rivers and streams to protect some more areas	Significantly improve the way water is taken from rivers and streams to protect some more areas
G Reducing wastewater pollution incidents	80 incidents	70 incidents	60 incidents	50 incidents
H Improving river and coastal water quality	45% higher than it should be	40% higher than it should be	30% higher than it should be	25% higher than it should be
I Achieving net zero carbon emissions	0% (No Reduction)	35% Reduction (35 kts)	65% Reduction (65 kts)	100% Reduction (100 kts)
J Supporting nature & wildlife	Equivalent of 50 football pitches worth of wetlands and woodlands harmed	No change	Equivalent of 50 football pitches worth of wetlands and woodlands created	Equivalent of 100 football pitches worth of wetlands and woodlands created

Source: WTP survey for WW

2.2. Initial Research to Identify Customer Views on Selected Attributes

We conducted qualitative research on the initial set of attributes and associated information with Wessex customers. This research had two objectives:

1. To test customer comprehension of the attribute descriptions and associated service levels and to recommend refinements that would improve customer understanding. We examined both the wording of the descriptions and the framing of any numerical information (for example, whether customers found it easier to understand percentages or ratios).
2. To understand whether customers had stronger opinions with regard to some attributes than others and if so to understand the factors determining the strength of customer opinion.

To achieve these objectives, Qa adopted a co-development approach. Qa presented customers with two different versions of each attribute: an 'A' version provided by Wessex and NERA and an alternative 'B' version created by Qa for use in the co-development workshop. We asked customers which of A or B was easier to understand and gave them the opportunity to debate the merits of both versions. We then worked with participants in the sessions to co-develop a version C which was understandable to them.

We conducted qualitative research separately for three categories of customer: general household customers (GHH), vulnerable household customers (VHH) and non-household customers (NHH).

- **For GHH customers:** we ran three co-development workshops with six participants per session. Sessions were conducted virtually using Zoom and each session lasted three hours. We selected GHH participants to ensure that a range of demographic characteristics were represented. We included individuals from socio-economic group (SEG) ABC1 as well as SEG C2DE. We included individuals from different life stages, including future bill payers, pre-family, with family, and post-family.
- **For VHH customers:** we ran twelve In-Depth Interviews (IDIs) either by telephone or virtually using Zoom. We selected VHH participants to ensure that a range of demographic characteristics were represented, including participants on very low incomes, individuals with long term health issues, and individuals aged 75+. A total of five individuals could be classified as digitally excluded and took part via the telephone.
- **For NHH customers:** we ran two co-development workshops. Sessions were conducted virtually using Zoom and each session lasted three hours. One workshop included city-based NHH customers while the other included rural/town-based customers. Both workshops included a mix of SMEs and larger firms.

Qa prepared a report on the insights gathered from this qualitative research. This report is attached as Appendix C.1. The report summarises customers' positive and negative associations relating to the 'A' and 'B' attribute descriptions and numerical description of each service level. We also proposed a revised set of descriptions for all attributes and service levels, based on the various C versions that customers co-developed in the workshops and In-Depth Interviews.

Following discussion between Qa, NERA, and WW, we made a small number of alterations to the revised set of descriptions to ensure that the survey results would still provide sufficient information to guide WW planning decisions. These descriptions were then taken forward for use in the first iteration of the survey. We describe the format of the survey in Sections 2.3 to 2.5, and then describe our iterative testing of the survey in Section 2.6.

2.3. Structure of Survey Questionnaire

The questionnaire includes three parts: an initial screening section, the stated preference exercise, and a set of closing questions on the customer's experience of the stated preference exercise and either demographic characteristics (HH respondents) or company characteristics (NHH respondents).

The initial screening section ensures that we only record responses from billpayers within the WW area and that we do not record responses from certain categories of respondent (e.g. WW employees in the HH survey). It also provides us with contextual information to tailor the stated preference exercise, including current bill levels.

The stated preference exercise is the core of the survey. It collects data on customers' WTP for different service levels for each of the ten attributes introduced in Section 2.1.

The closing questions allow us to collect information that we can use to assess whether our sample is representative of the WW customer base and examine whether the results of the stated preference exercise differ across customer sub-groups.

Most customers completed the survey online. We interviewed a small sample of digitally disengaged HH customers face-to-face using an interviewer administered Computer Assisted Personal Interview (CAPI) survey. This is the Vulnerable Customer Survey (VCS), which we describe further in Section 3.1.1.3.

2.4. Format of Stated Preference Exercise

2.4.1. Overview of the stated preference exercise

In the stated preference exercise, we ask respondents to choose between different service levels for each of the ten attributes over the period 2025-2030, where the choice of service level affected the customer's water bill. For each attribute, customers can choose between the status quo; a deterioration in service that would reduce their water bill; and two levels of improvement in service that would each increase their water bill.

To obtain reliable valuations, it is important that customers believe that they may actually have to make payments in line with their stated preferences. Otherwise, respondents may not reveal their true valuations (known as "hypothetical bias"). Therefore, we present the costs (savings) associated with an improvement (deterioration) in service as a change to the respondent's own water bill.

To help achieve this, we ask customers to state what their current water bill is, or else the survey estimates their water bill based on information provided by them, e.g. on household size. We then provide customers with an estimate of the value of their bill for 2025-2030, in the absence of any choices made by them. This estimated bill is based on their current bill,

plus a random adjustment which we describe further in Section 2.4.2. Providing customers with an estimated bill for 2025-2030 that is close to their current bill makes the exercise realistic and credible to customers.

For economic valuation of service changes, we require that respondents state values that they would actually be willing to pay, taking into account their income and other costs. Therefore, we also remind customers that their bills may go up due to inflation, and that other household bills may go up or down, affecting the total amount of money they have to spend.

The survey then moves onto the choice exercises.

First, we ask respondents to consider each attribute in isolation. In the surveys conducted online, respondents see a single attribute per screen as shown as in Figure 2.1. For the face-to-face interviews conducted as part of the HH Vulnerable Customer Survey, the WTP section was set-up to be completed as a self-completion exercise by the respondent to replicate the online approach. Interviewers would hand the CAPI tablet to the respondent and ask them to complete that section before handing it back. However, if respondents were unable or unwilling to complete this section as self-completion, interviewers were instructed to guide them through it and help them as required so they could give their considered views.

For each attribute, we show respondents the name of the attribute alongside the associated material for the attribute as per Table 2.3. We give respondents the following information about each attribute:

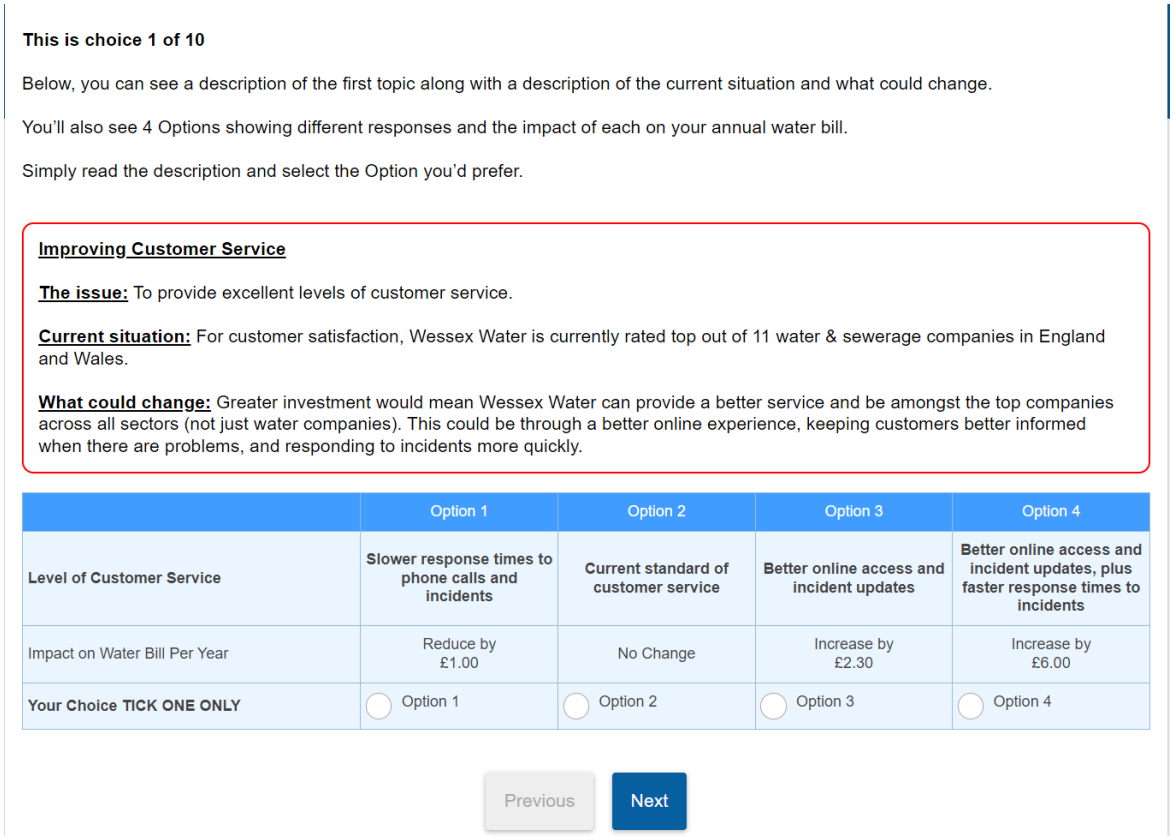
- **The issue:** a description of the attribute.
- **Current situation:** a description of the current service level for that attribute.
- **What could change:** a summary of how additional investment would impact the service level for that attribute.

We then present respondents with four different options of service levels that WW could provide for that attribute as per Table 2.4. Option 1 shows a deterioration in service, Option 2 is to maintain the current service level, Option 3 shows a small improvement in service, and Option 4 shows a large improvement in service. For each option, the customer sees a customer-specific bill impact; we explain the calculation of these bill impacts in Section 2.4.2.

We ask customers to select one of the four options for each attribute. Once they make their selection for that attribute, they progress to the next attribute.[5] We randomised the order in which attributes were displayed to different respondents, to ensure that our results were not biased by order effects.

[5] Based on our findings from the pilot, we implemented a ten-second minimum display time for each screen, to ensure that customers could not click through the survey at speed without engaging with the content.

Figure 2.1: Respondents were Asked to Choose Their Preferred Service Level for Each Attribute in Turn



This is choice 1 of 10

Below, you can see a description of the first topic along with a description of the current situation and what could change.

You'll also see 4 Options showing different responses and the impact of each on your annual water bill.

Simply read the description and select the Option you'd prefer.

Improving Customer Service

The issue: To provide excellent levels of customer service.

Current situation: For customer satisfaction, Wessex Water is currently rated top out of 11 water & sewerage companies in England and Wales.

What could change: Greater investment would mean Wessex Water can provide a better service and be amongst the top companies across all sectors (not just water companies). This could be through a better online experience, keeping customers better informed when there are problems, and responding to incidents more quickly.

	Option 1	Option 2	Option 3	Option 4
Level of Customer Service	**Slower response times to phone calls and incidents**	**Current standard of customer service**	**Better online access and incident updates**	**Better online access and incident updates, plus faster response times to incidents**
Impact on Water Bill Per Year	Reduce by £1.00	No Change	Increase by £2.30	Increase by £6.00
Your Choice TICK ONE ONLY	Option 1	Option 2	Option 3	Option 4

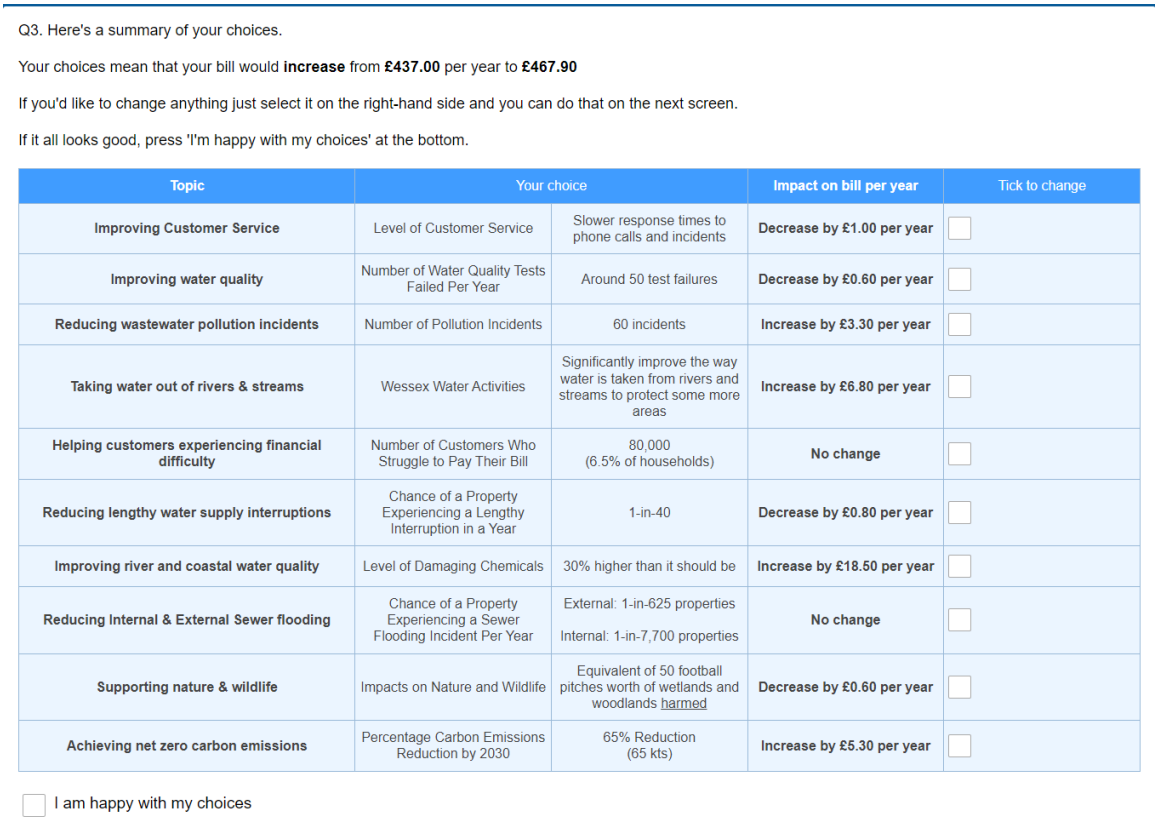
Previous Next

Source: WTP survey for WW

Once customers have made their selection for each attribute, they see a screen summarising their choices for all ten attributes and the total impact of their choices on their bill for 2025-2030, as shown in Figure 2.2.

Customers are informed that they can revise their choices for any of the attributes by clicking on the attribute in question. This takes them back to the attribute screen as shown in Figure 2.1. After they select an option at that screen, they are returned to the screen shown in Figure 2.2 and see an updated summary of their choices and the total bill impact.

Figure 2.2: Respondents See a Summary of their Choices and had the Option to Revise their Choices



Q3. Here's a summary of your choices.

Your choices mean that your bill would **increase** from **£437.00** per year to **£467.90**

If you'd like to change anything just select it on the right-hand side and you can do that on the next screen.

If it all looks good, press 'I'm happy with my choices' at the bottom.

Topic	Your choice		Impact on bill per year	Tick to change
Improving Customer Service	Level of Customer Service	Slower response times to phone calls and incidents	**Decrease by £1.00 per year**	☐
Improving water quality	Number of Water Quality Tests Failed Per Year	Around 50 test failures	**Decrease by £0.60 per year**	☐
Reducing wastewater pollution incidents	Number of Pollution Incidents	60 incidents	**Increase by £3.30 per year**	☐
Taking water out of rivers & streams	Wessex Water Activities	Significantly improve the way water is taken from rivers and streams to protect some more areas	**Increase by £6.80 per year**	☐
Helping customers experiencing financial difficulty	Number of Customers Who Struggle to Pay Their Bill	80,000 (6.5% of households)	**No change**	☐
Reducing lengthy water supply interruptions	Chance of a Property Experiencing a Lengthy Interruption in a Year	1-in-40	**Decrease by £0.80 per year**	☐
Improving river and coastal water quality	Level of Damaging Chemicals	30% higher than it should be	**Increase by £18.50 per year**	☐
Reducing Internal & External Sewer flooding	Chance of a Property Experiencing a Sewer Flooding Incident Per Year	External: 1-in-625 properties Internal: 1-in-7,700 properties	**No change**	☐
Supporting nature & wildlife	Impacts on Nature and Wildlife	Equivalent of 50 football pitches worth of wetlands and woodlands harmed	**Decrease by £0.60 per year**	☐
Achieving net zero carbon emissions	Percentage Carbon Emissions Reduction by 2030	65% Reduction (65 kts)	**Increase by £5.30 per year**	☐

☐ I am happy with my choices

Source: WTP survey for WW

Customers can revise their choices an unlimited number of times, giving them the flexibility to construct the package of service levels that best reflected their preference, given the costs of each service level. Once customers are happy with the package they have constructed, they proceed to the closing questions of the survey.

This final step of allowing customers to alter the attribute-by-attribute choices they made is important; customers' initial choices may result in them breaching budget constraints, so they can reduce the improvements they selected in any attribute, to reduce the overall costs. Conversely, if customers reach the end of the attribute-specific choices and decide they want to select more or different improvements, they can do so.

2.4.2. Innovation relative to previous stated preference survey formats

The stated preference question format described above is a new format, developed by NERA in response to customer feedback on previous water industry stated preference surveys. The new format reduces the complexity of the questionnaire by only showing one attribute per screen, while giving customers more flexibility by allowing them to construct their preferred package of service levels across attributes.

In previous stated preference studies, customers were presented with detailed information about all attributes at the beginning of the survey. Then, each question presented customers with two pre-defined packages of service levels for all attributes and asked them to choose which package they preferred. This exercise was repeated multiple times, with each

customer seeing several different pairs of packages. Figure 2.3 provides an example of a typical package exercise.

Sometimes, as in the stated preference survey conducted by Accent for Wessex Water for PR19, these package exercises were combined with "max diff" choices, which ask customers to select their favoured and least-favoured service improvement (or the service failures that would have the most/least effect on them). These max-diff questions were used to value individual attributes within the package.

Figure 2.3: Example of Stated Preference "Package" Exercise from PR19

In the first set of options, Option B represents current service levels with a bill decrease of £10.33 by 2024 and Option C represents an improvement in every area with a bill decrease of £6.20 by 2024.

Which option do you prefer, B or C?

	Option B (Current)	Option C
Service incidents at customers' properties (number affected per year)		
• Supply interruptions (lasting an average of 6 hours)	34,732	27,786
• Discoloured water (few days)	1,217	1,100
• Non ideal taste and odour (few days)	518	460
• Occasional low water pressure	2,233	2,010
• Restricted toilet use due to sewers being overloaded	1,410	1,269
• Sewer flooding inside customers' properties	180	162
• Sewer flooding outside customers' properties	2,186	1,968
Other service measures		
• Sewer flooding in public areas (no. incidents per year)	1,517 incidents	1,365 incidents
• Hosepipe bans (how often these can be expected)	1 every 15 years	1 every 20 years
• Restrictions on essential use of water (how often can these be expected)	1 every 100 years	1 every 500 years
• Planned and unplanned works which may cause road & traffic disruptions (no. calls/written complaints per year)	262 complaint calls or written complaints	230 complaint calls or written complaints
Environmental measures		
• Miles of river at less than good status (out of 2,429 miles in total)	534 miles	369 miles
• Sites where dilute sewage spills into rivers and estuaries	264 sites	198 sites
• Bathing waters at less than good status (out of 47 in total)	4 bathing waters	3 bathing waters
• Bathing waters at good but not excellent (out of 47 in total)	10 bathing waters	5 bathing waters
THE CHANGE IN YOUR ANNUAL WATER AND SEWERAGE BILL above inflation to provide the service package above	**Decrease of £10.33 by 2024** **Gradual decrease of £2.07 every year between 2019 and 2024**	**Decrease of £6.20 by 2024** **Gradual decrease of £1.24 every year between 2019 and 2024**

Source: Accent (September 2018), Appendix 1.1.D – Willingness to Pay research 1 – prepared for Wessex Water

These package exercises were commonly used at PR19 and previous price reviews. They have been used to estimate customer WTP for service levels in a range of sectors. However, customer feedback highlighted a number of limitations of these exercises:

- Some customers found it difficult to retain all of the information about the different attributes that was presented at the beginning of the survey, and therefore struggled to fully understand the trade-offs in the package exercises.
- Some customers disliked being forced to choose between two pre-defined packages and would have preferred to be able to combine features from both packages.

Our approach in this study addresses both limitations of the package exercises:

- Customers see all of the associated information about the attribute at the same time as they make choices about the attribute, so that they can make an informed decision and are not required to remember large quantities of material.
- Customers have the flexibility to build their own preferred package, given the costs of different service levels.

The stated preference question format that we adopt materially increases the total number of package options available to customers, which creates additional challenges for data management and WTP analysis. We overcome these challenges through an analytical approach that combines modern data management tools with classic econometric techniques. We describe this analytical approach in Section 4.1.4.

2.4.3. Calculation of customer-specific bill impacts

In this section, we explain how we use information provided by customers in the screening section of the questionnaire to set the initial estimate that the customer sees of their water bill for 2025-2030, and the costs that the customer sees for their choices of service levels. By using information from the screening section to tailor these values to the customer, we ensure that the stated preference exercise is realistic and meaningful for the customer, so that they are more likely to report their true preferences.

In the screening portion of the questionnaire, we ask customers to state the level of their current water bill. We allow respondents to report their bill in a number of different formats based on different billing options (i.e. per week, per month, biannually, and per year), which the survey software then converts into an annual bill.

For customers that do not know the level of their current water bill, we take the following approach:

- In the HH survey, we use the response from a prior screening question on household size to present respondents with an average water bill for a household of that size based on data provided by WW (see Table 2.5). We give respondents the option to accept that bill, or to revise the bill if it does not look right.
- In the NHH survey, we present the average water bill for business in the WW operating area, based on data provided by WW.[6] We give respondents the option to accept that bill, or to revise the bill if it does not look right.

Some respondents in the HH pilot study reported water bills that seemed implausibly high. Therefore, in the final HH survey we added an additional check. Where respondents report a water bill of over £1,000 per annum[7], we tell them that the reported bill seemed comparatively high, show the average bill for their household size, and ask whether they would like to revise their reported amount.

6 These figures are based on wholesale charges that WW raise from retailers.

7 This amount was agreed following discussion with Wessex.

Table 2.5: Average Bill by Household Size (WW Data)

Household Occupancy	Average Annual Metered Charge
1	£314
2	£470
3	£563
4	£665
5	£726
6 or more	£790

Source: Data provided by WW.

Based on the value obtained for the customer's current water bill, we present the customer with an estimate of their water bill for the period 2025-2030. In order to anchor expectations and thereby prevent any systematic bias in valuations caused by customers' expectations about future bill levels, we calculate the water bill for 2025-2030 by randomly applying one of four percentage changes to the current bill. These are: a 5 per cent decrease, a 0 per cent change, a 4 per cent increase, and a 7 per cent increase.[8]

We use the estimate of the customer's water bill for 2025-2030 to calculate the customer-specific bill impacts of changes in service levels for each attribute as follows.

1. First, we collect data from WW on (a) the estimated impact of each of the service level change on the average customer bill and (b) the average customer bill. Based on this data, we calculate the average percentage change in the bill associated with the change in service level (see Table 2.6). We assume that the costs of service level changes are spread across customers in proportion to the bill that they pay.

[8] We tested whether our results were sensitive to this randomly assigned bill increase. Specifically, we tested whether a higher randomly assigned bill increase resulted in lower WTP, as this would suggest that customers expect to face binding budget constraints that limit their ability to pay for improvements in water services. We did not find that a higher randomly assigned bill increase resulted in lower WTP for any attribute.

Table 2.6: Percentage Change in Bill for a Change in Service Level vs Status Quo

Attribute	Deterioration	Small Improvement	Large Improvement*
A	-0.18%	0.28%	0.74%
B	-0.29%	0.26%	0.27%
C	-0.07%	0.64%	0.88%
D	-0.39%	0.59%	2.74%
E	-0.29%	0.69%	0.65%
F	-0.39%	0.59%	1.17%
G	-0.07%	0.95%	1.92%
H	-0.74%	2.51%	0.60%
I	-0.23%	0.64%	1.91%
J	-0.08%	0.08%	0.08%

Note: The values in the column "Large Improvement" represent the additional percentage increase required over and above the percentage increase in "Small Improvement".
Source: Data provided by WW.

2. For each customer, for each attribute and each of the service levels given in Table 2.6 we generate a random draw from the uniform distribution on the range (0, 1). This randomisation is essential to get the variation needed for WTP analysis.
3. We combine the percentage bill increases from step 1 with the random numbers from step 2 to get customer-specific bill impacts for each service level and attribute as follows:
   A. We set the "status quo" bill impact to zero.
   B. We set the "deterioration" to be a random decrease, distributed around the likely proportional decrease provided by WW in step 1 but stretched such that decreases of greater magnitude were possible. We achieve this by scaling the random draw by 2.5 × the customer's existing bill × the relevant percentage change from Table 2.6 and adding it to the bill impact for the status quo from step 3A.
   C. We set the "small improvement" to be a random increase, distributed around the likely proportional increase provided by WW in step 1 but stretched such that increases of greater magnitude were possible. We achieve this by scaling the random draw by 2.5 × the customer's existing bill × the relevant percentage change from Table 2.6 and adding it to the bill impact for the status quo from step 3A.
   D. We set the "large improvement" to be a random increase, distributed around the likely proportional increase provided by WW in step 1 but stretched such that increase of greater magnitude were possible. We achieve this by scaling the random draw by 2.5 × the customer's existing bill × the relevant percentage change from Table 2.6 and adding it to the bill impact for the small improvement calculated in step 3C.

The scaling factor 2.5 is judgement based. It ensures that we examine WTP at values for the cost (saving) of a change to the service level beyond the estimate provided by WW. This is useful in the event that the true cost (saving) of a change to the service level exceeds the estimate provided by WW and allows us to capture information on individual customers' having relatively high willingness to pay for improvement in particular attributes.

2.5. Survey Closing Questions

In the final section of the survey, we ask a number of closing questions on demographics and the customer's experience of the stated preference exercise. The answers to these questions allow us to contextualise our findings and examine whether our conclusions are consistent across different sub-groups of the WW customer base.

In both the HH and NHH surveys, we include a set of questions to assess whether respondents found the survey easy or difficult to complete. This is useful to assess the reliability of our conclusions; if most customers found the survey easy to complete, we can have more confidence in our conclusions than we might otherwise do.

We include questions about the customer. It is important for WW to understand, for example, whether HH customers with lower income or businesses with lower turnover have a different WTP for service changes than other customers.

- For HH customers, we include a standard set of demographic questions on gender, age, education, health conditions, employment status, and household income. We also include questions to assess whether respondents had struggled to pay their bills in the past or were in receipt of financial support.
- For NHH customers, we include questions on the business sector, turnover, and means of paying the water bill.

In order to assess customers' motivations for their choices in the stated preference exercise, in both HH and NHH surveys we include a question on the factors that the respondent considered when making their choices. We also include a question on whether the respondent has recently contacted WW, to see if this affects responses to the WTP for improved customer service.

In the HH survey only, we include additional questions to elicit customers' attitudes towards WW and towards paying for water services in general. We introduced these questions in the final survey following evidence of protest attitudes from write-in responses in the pilot survey. Protest attitudes include objection to being asked to pay for certain attributes, objection to the idea that attributes can be valued in monetary terms, and mistrust of the company. There is evidence from the literature on stated preference studies that protest attitudes may affect estimates of WTP.[9] Therefore, it is useful for us to have the ability to assess whether our WTP estimates vary depending on whether or not customers exhibit protest attitudes.

2.6. Testing of Survey Instrument

2.6.1. Cognitive interviews

Once the draft survey was finalised following the qualitative co-development work (described in Section 2.2), Qa conducted a series of cognitive interviews to ensure the survey would be accessible to and understood by all customer types.

[9] See for example Meyerhoff and Liebe (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528

For these interviews, Qa set up the survey in the online format that customers would see during the live fieldwork period. This was to ensure that the cognitive interviews would provide information relevant to the experience of customers completing the survey as part of the live fieldwork.

We conducted the cognitive interviews virtually through Zoom; the video format allowed Qa researchers to observe participants' body language and facial expressions as they worked through the survey. Whenever a participant's body language or facial expression suggested a clear reaction to the survey (whether negative, e.g. confusion or frustration, or positive, e.g. excitement) the interviewer asked them to pause and explain their reaction.

Once the participant had completed the survey the interviewer asked them how it could be refined. Several participants suggested tweaks to wording to improve the language and flow of the survey.

Qa conducted a total of 14 cognitive testing interviews split as follows:

- **GHH customers:** Six interviews, with participants selected to ensure an even spread across life stages: two pre family, two family, and two post family. We also ensured that we had participants from both ABC1 and C2DE SEGs.
- **VHH customers:** Three interviews, of which one participant had a long term heath issue, one was aged 75+, and one had a very low income.
- **NHH customers:** Five interviews, with participants selected to ensure that all firm sizes were represented as follows: two micro firms (0-9 employees), two SMEs, and one large organisation.

Qa provided a summary report following the cognitive testing exercise with recommendations for further survey refinements to ensure all customer types could understand what they were being asked and would therefore be able to make informed choices regarding their willingness to pay for investments.

In light of the recommendations from this report, and to reflect comments made by members of the Wessex Water CCG and the Wessex Water project team after viewing a test version of the online survey, we made a number of revisions to the survey ahead of the pilot stage. These were as follows:

- We re-worked the explanatory screens used to introduce the WTP exercise so key information to explain the purpose of the exercise and how to complete it was introduced more gradually and in a sequential way to make things easier to follow for respondents.
- To better reflect the diversity inherent in the ten attributes tested in the WTP exercise, we decided to refer to these as *'topics'* rather than *'investment areas'* throughout the survey and to refer to the four options as *'responses'* rather than *'levels of service'*.
- We made small changes to the wording of the descriptions of the ten attributes, to add clarity where necessary.
- We made a number of small formatting changes in response to the way respondents interacted with the online survey to enhance their understanding and make things clearer. For example, we used bold font for key sentences, reduced the size of the graphic of the

Wessex Water operating area shown in the introduction to the survey, and separated out some of the explanatory material.

- Throughout, we changed references to *'water services bill'* to simply say *'water bill'* as this more accurately reflected terminology understood by customers.
- Throughout, we made tweaks to wording to remove ambiguity and make some sentences easier to read.

We then progressed the survey to pilot testing.

2.6.2. Survey pilot

We conducted a pilot to determine how the survey would work in practice when accessed by customers. The pilot provided an opportunity to test the survey among HH customers under 'real world' conditions.

WW drew a random sample from its database of HH customers for whom an email address was available. Qa issued email invitations to those customers. The invitation explained the purpose of the survey and included a link to access it, along with detail around data protection, the Market Research Society (MRS) Code of Conduct, and contact details for Qa should the customer wish to make comments about the survey or ask for clarification. In total, Qa issued 6,456 pilot email invitations. These produced a total of 474 completed surveys, giving a relatively high response rate of 7.3%.

We used the results of the pilot to:

- Confirm that the average length of time taken to complete the survey was reasonable, in that the survey did not impose an undue burden on respondents.
- Confirm that customers were not finding the survey difficult to understand or complete, by assessing responses to questions that asked customers about the ease/difficulty of the survey and by assessing customer comments in the free-text response questions of the survey.
- Conduct preliminary analysis on customer choices, including a preliminary WTP analysis, to ensure that the survey was not producing implausible results that might suggest problems with the survey design.

After analysis of the pilot results and in particular the free-text responses, we made some changes to Q9 in the survey, which explores respondents' motivations for their choices for each of the ten attributes in the WTP exercise. We also added a question to examine the prevalence of "protest" attitudes among respondents. Otherwise, the survey remained unchanged as a result of the pilot.

2.7. Post-Survey Qualitative Research on Status Quo Preference

In both the pilot survey and the main survey, we found that HH customers frequently selected the status quo service level, in particular for attributes under "Area 1: Serving every customer". Among HH customers, the status quo service level was the most frequently selected service level for all ten attributes bar one, and was preferred by over 50 per cent of customers for five of the four attributes under Area 1 (see Figure 4.1).

We agreed with WW and the CCG that it would be useful for business planning to better understand why HH customers exhibited such a strong preference for the status quo. For example, it would be useful to understand whether customers were not willing to pay for service improvements because the cost of improvement was too high or because they felt no improvement was needed. Additionally, there is some evidence from academic literature that customers may select the status quo if they are not fully engaged with the survey[10] or as a form of "protest" against being asked to pay for public services.[11] Therefore, we agreed it would be valuable to understand whether such factors were influencing customer responses in our survey.

Qa conducted a programme of qualitative research with customers who had completed the main survey and had, at the time, agreed to be contacted for follow-up research. The programme included both GHH and VHH customers (but not NHH customers), as follows:

- **GHH:** Eight online focus groups, each lasting 90 minutes. All participants had selected the status quo for at least two of the five attributes in "Area 1: Serving every customer", although recruitment started with those who had selected the status quo option for four or five of these attributes. We also included one group consisting exclusively of those who had selected the status quo option for all five of these attributes. The remaining groups were selected on the basis of socio-economic grade and life stage, as set out in Table 2.7. The groups included a mix of individuals from city, town, rural, and coastal locations. We excluded individuals who had struggled to pay their bill in the previous 24 months (such individuals were included in the VHH research).
- **VHH:** Twelve one-to-one depth interviews via Zoom or telephone with vulnerable household customers, each lasting 60 minutes. Four of the interviews were with individuals aged 75 or older and living alone, four were with individuals affected by long term health condition, and four were with very low income individuals (i.e. individuals who reported household income below £20,000 per year and that they regularly struggle to pay their water bill).

All customers were compensated for their time.

[10] Meyerhoff, J. and Liebe, U. (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528.

[11] See for example Meyerhoff, J. and Liebe, U. (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528 and also Bonnichsen, O. and Ladenburg, J. (2015), *Reducing status quo bias in choice experiments, Nordic Journal of Health Economics 3,* pp. 47-67.

Table 2.7: GHH Groups for Status Quo Follow-Up Research

Group No.	Social Grade	Life Stage / Other Criteria
1	ABC1	pre family
2	ABC1	family
3	ABC1	family
4	ABC1	post-family
5	C2DE	pre family
6	Mix	Those who selected option 2 for all five choices
7	C2DE	family
8	C2DE	post-family

Source: Qa Research

Both the focus groups and depth interviews followed the same structure.

First, Qa asked respondents some initial questions about their knowledge of and relationship with WW and satisfaction with the service received from WW and their bill, to identify any broad themes that might influence customers' responses. At the suggestion of the CCG, Qa also asked questions at this point about whether customers had previously switched bank, internet provider, or energy provider, to assess whether customers had a general tendency towards status quo preference in other areas of life.

In the main part of the study, Qa showed respondents each of the five attributes in turn. For each attribute, Qa researchers first sought to establish whether customers clearly understood what they were being asked to make a decision about. Researchers then asked customers what option they had selected for each attribute and encouraged customers to explain the reasons for their selection.

We discuss the findings of this follow-up research in detail in Section 4.2.1.4.

2.8. Incorporating Guidance on Best Practice

Throughout the project, we have worked to incorporate guidance on best practice from both Ofwat and the CCW. We have also engaged with the CCG to get feedback on our proposed methodology and have incorporated several of their suggestions into the project.

We explain how we have accounted for Ofwat's standards for customer engagement in Section 2.8.1, describe how we incorporated guidance on best practice from the CCW in Section 2.8.2, and summarise how we have responded to feedback from the CCG in Section 2.8.3.

2.8.1. Addressing Ofwat's customer engagement policy

In advance of PR24, Ofwat has defined a set of standards for high-quality research, customer challenge, and assurance of customer engagement during price reviews.[12] Ofwat states that water company research and engagement should provide evidence of a meaningful,

[12] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 4

significant understanding of customers' and wider stakeholders' preferences. In particular, water company research should be:

- **Useful and contextualised**: The objectives of the research and the potential implications of the findings (i.e. how they will be used) should be clear from the final output.[13]
  - We clearly state the objective of the research at the beginning of this report (Section 1); that is, to *"estimate customers' willingness to pay (WTP) for improvements in the service provided by WW"*. Later in the report (Section 2), we explain that the results of this study will be used to *"draw conclusions about the preferences of the typical WW customer regarding these trade-offs [between service attributes and costs], which WW can in turn use to plan investment in its service offerings in a way that responds to customer preferences"*. We set out our conclusions and final recommendations in Section 5.
- **Neutrally designed**: The research should be designed to be neutral and free from bias. Sources of bias should be considered at every stage of the research. If some type of bias in unavoidable, this should be noted and explained in the research findings.[14]
  - At every stage of the research process, we took steps to mitigate sources of bias.
    - ***Survey development:*** We used qualitative engagement and cognitive testing to assess the accessibility of the survey design to customers (see Section 2.6). We made changes to the survey based on customer feedback from to mitigate the potential for bias arising from customer differences in understanding of attribute or service level descriptions.
    - ***Survey development:*** Following the pilot study, we introduced new questions to the survey to better understand whether an estimated status quo preference might be biased by protest attitudes or a preference to leave decisions on certain attributes to experts.
    - ***Survey design:*** We randomise the order in which attributes are displayed to different respondents to ensure that the results are not biased by order effects.
    - ***Survey design:*** We anchor customers' expectations about future bill increases, thus preventing any systematic bias in valuations caused by customers' preconceptions about future bill levels, by randomly applying one of four percentage changes to the current bill to calculate the water bill for 2025-2030.
    - ***Fieldwork:*** We conducted additional top-up and vulnerable customer recruitment (see Section 3.1) to ensure that we collected enough data from groups that were under-represented in our main sample to enable estimation of group-specific differences in preferences.
    - ***WTP estimation:*** We include demographic and billing controls in our regression model, and then evaluate that model at population values for those demographic and billing controls (i.e. the "adjusted" model described in Section 4.2.2.2). This

[13] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 6

[14] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 6

approach allows us to derive WTP estimates that are corrected for any under- or over-representation of demographic or billing characteristics in our sample.

  - Where we were unable to mitigate sources of bias, we note and explain the potential impact of that bias on our results in Section 4.

  - We conducted an additional piece of follow-up qualitative research with customers who exhibited a preference for the status quo so that we could better explain the reasons for this strong status quo preference and in particular understand whether it reflected a genuine preference or a bias.

- **Fit for purpose**: Both the sample and the methodology should be appropriate for the research setting. Ofwat welcomes innovation as long as "it is likely to lead to meaningful and trusted insight and learning".[15] Further, respondents should be able to understand the questions they are asked.

  - We adopt an innovative format for the survey (i.e. our stated preference exercise allows respondents to build their own preferred package) because it addresses concerns raised by respondents about previous survey formats (see Section 2.4.2). Moreover, asking about one attribute at a time allows us to display a brief description of the attribute next to the question, hence helping respondents understand what they are being asked. Descriptive analysis of the survey data shows that respondents generally report that they have understood the survey well (see Section 3.2.3).

  - For estimation of WTP from the survey data, we use an approach that is standard in both academic and industry literature, i.e. using "logit" models to estimate utility functions.

- **Inclusive**: The sample should be representative of the full spectrum of the company's customers. Results should consider and report differences in preferences by socio-demographics and consumer types.[16]

  - As mentioned above, we designed the sampling approach to provide a robust and representative sample of all WW customers.

  - We provide summary statistics on the representativeness of both the household and non-household samples in Section 3.2 and Section 3.3, respectively.

  - We estimate and report the impact of socio-demographic characteristics and customer type (i.e. billing characteristics) on WTP. We also provide WTP estimates evaluated for both the sample average and population average customers.

- **Continual**: Companies should carry out research on a continual basis, enabling both day-to-day and longer-term research.[17]

[15] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 6

[16] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 6

[17] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 7

  - We maintained continuity with previous WW research by relying on the results of a 2021 Accent study on customer priorities, commissioned as part of WW's research on its strategic direction in advance of PR24, to develop the attributes.[18]

  - This research will itself feed into the next phase of WW's research to inform its business plan development. We anticipate that the next phase is likely to include detailed engagement to understand how customers would like WW to invest to effect improvements in environmental attributes.

- **Independently assured**: Research should be reviewed by entities that are independent of water companies and have the relevant skills and know-how to evaluate the research findings.[19]

  - Several members of the WW CCG have relevant experience that means they are well-positioned to review and evaluate the research findings.

  - We understand that WW may subsequently commission academic peer review of the research it commissions.

- **Shared in full with others**: Research findings should be made available in full, as early as possible, and include detailed discussions around the methodology employed (including, e.g., questionnaires and discussion guides).[20] Publishing research will allow methodologies to be improved on, build a common knowledge base about customers' views, and allow similar research to be compared.

  - We engaged with the CCG early in the research process to discuss our proposed methodology and seek suggestions for improvement.

  - We understand that WW plans to make the findings from this research more widely available, for example through publication of the findings on its website.

- **Ethical**: Research should adhere to "the ethical standards of a widely recognised research body".[21]

  - Qa Research adhered to the Market Research Society (MRS) Code of Conduct in administering the survey and the prize draw.

2.8.2. Addressing the CCW critique of the PR19 approach

Following PR19, the Consumer Council for Water (CCW) commissioned Blue Marble to conduct a study on water companies' customer engagement research. The study examines how customers feel about the research processes in which they are asked to participate, in particular, whether customers feel that the research processes enable them to make meaningful contributions.

[18] Accent (October 2021), Reviewing Strategic Direction and Social Purpose – Final Report – prepared for Wessex Water

[19] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 7

[20] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 7

[21] Ofwat (February 2022), PR24 and beyond: Customer engagement policy – a position paper, p. 7

CCW and Blue Marble identify five themes on which customer engagement research could improve to ensure that customers feel that their contribution is meaningful.

Figure 2.4: CCW/Blue Marble Identify Five Themes that Customers Require for Meaningful Research

Criteria		Threshold questions
	**Ease**	• Am I able to answer the questions that I am being asked? • Is what I'm being asked to do straightforward and reasonable?
	**Relevance**	• Is the topic relevant / of interest to me? • Do I actually have a view on what I am being asked?
	**Listening**	• Do I feel like the organisation that has commissioned the research is paying attention to what I say?
	**Making a difference**	• Do I think anything will happen as a result of taking part? • Will taking part benefit others / the wider community?
	**Financial incentive**	• Do I receive a financial incentive for taking part? Or the prospect of a prize?

Source: CCW and Blue Marble[22]

- **Ease:** CCW and Blue Marble were concerned that traditional WTP studies are not easy for customers to complete. They are particularly concerned about the cognitive burden of remembering all the attribute descriptions (traditionally provided at the beginning of the survey) and that asking customers to make multiple choices between paired bundles is confusing.[23]
  - The innovative format of our WTP study, described in Section 2.4.2, addresses both points of concern to CCW. Customers do not have to remember attribute descriptions, because we ask customers about one attribute at a time and so can show the description alongside the choice exercise. There is no risk of confusion from being asked to make multiple choices between paired bundles, as each customer is asked to build their preferred bundle only once.
- **Relevance:** Customers only want to be consulted on a subset of the decisions made by water utilities. The CCW/Blue Marble study finds that customers do want to be consulted on near-future investment scenarios (5-15 years) and prefer consultations that are framed in terms of the impact on the customer's own bill and services.[24] Customers also feel that "it is more valid to ask for consumers' views on specific business planning topics once they are briefed and feel able to give a considered answer".[25]

[22] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 4

[23] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 37

[24] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 21

[25] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 8

  - Our WTP exercise falls within the set of topics that CCW and Blue Marble identify as relevant to customers, because it focuses on how near-future investment might impact customers' own bills and service experiences, as well as environmental attributes about which it is reasonable to think customers might have opinions. To ensure that customers are able to give considered answers, we provide contextual information about each attribute; we tailored this contextual information to customer needs through focus group interviews and cognitive testing.

- **Listening:** Customers view research as more meaningful when it is clear that someone is actually listening. CCW and Blue Marble suggest that this can be achieved in quantitative research through a well-introduced survey and expressions of gratitude.[26]

  - The email from Qa inviting customers to take part in the survey included an attached letter from Wessex Water which tells customers that the survey is "important" and thanks customers for their interest (see Appendix D.2).

  - The introduction to our survey includes text to show customers WW is interested in what they have to say. For example, "this survey asks for your views", "we'll ask for your opinions". We thank customers for their time at the end of the survey.

- **Making a difference:** CCW and Blue Marble find that customers are more likely to feel that their contribution is meaningful if they believe that their participation in research will have a real impact.

  - We explain in the introduction to the survey that the purpose of the survey is to inform the five-year business plan that WW must submit to Ofwat. It states that "The findings from this survey will help Wessex Water plan for the future". The email inviting customers to participate in the survey also included a link to a letter from WW, explaining how the findings from the survey will be used to "help us agree with Ofwat what our service and charges will be between 2025 and 2030".

- **Financial incentive:** Offering a financial incentive makes it more likely that customers will make time to participate in the survey.

  - We offer survey participants the chance to be included in a prize draw to encourage participation (one prize of £500 and two prizes of £250).

  - All customers that participated in time-intensive qualitative research were compensated for their time.

In addition to the five themes outlined above, CCW and Blue Marble identify a number of other factors that should be taken into consideration as part of customer engagement research.

- CCW and Blue Marble highlight the importance of adopting "an iterative process to questionnaire development" and ensuring that feedback from cognitive testing and pilots is incorporated in the survey design.[27] We provide further details on how we adapted our

[26] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 19

[27] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 24

survey based on feedback from focus groups, cognitive testing, and the pilot study in Section 2.6.

- CCW and Blue Marble find that a number of customers are happy to leave decisions about water services to experts working within the water company and regulator.[28] To account for this type of customer, we ask customers to indicate, for each attribute, whether they are happy to leave decisions about the topic to Wessex Water.

  – Alongside their research into customer preferences, CCW and Blue Marble also spoke to CCGs, who suggested that water companies could make more use of CCG expertise and advocated for greater coherence in company research programmes. [29] We engaged with WW's CCG early in the research process and adopted a number of CCG suggestions, for example with regard to the population statistics we use to target distribution of the online survey. To ensure the coherence of WW's research programme, we derive the attributes for testing from previous research on customer priorities as explained in Section 2.1.

2.8.3. Response to feedback from the CCG

Before conducting the pilot study and in parallel to the cognitive interviews, we presented our proposed approach to the CCG. The CCG provided comments on the proposed approach, including suggestions for improvement. We summarise those comments below and explain how we have responded to them.

Presentation of information: Members of the CCG provided a number of suggestions to improve the presentation of information within the survey.

- Several of the suggestions pertained to the explanatory material at the beginning of the survey, which the CCG felt could be restructured and simplified to be clearer for respondents. In response to this feedback and similar feedback from the cognitive interviews, we reworked this section of the survey so that the introductory material was presented in a more logical and sequential way.

- CCG members also made specific suggestions about the content of the attribute and service level descriptions as well as the bill impacts associated with changes in service level. We incorporated many of these suggestions, for example, revising the text on the attribute "Helping customers experiencing financial difficulty" to make it clearer that the assistance would be targeted at struggling customers and that bills would increase for all customers to cover the cost of this assistance. We elected not to incorporate some suggestions, either because the cognitive testing showed that respondents were comfortable with the existing content or because the proposed amendments would have made the output less useful to WW.

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[28] This "leave it to the experts" type is one of four customer types that CCW and Blue Marble identify. Most customers were either of this type or of a second "I want to be involved, but I'm struggling" type, who want to give feedback but struggle with cognitively demanding research formats. The other two minority types were "I don't care" and "Give me everything you've got" (very disengaged and very engaged, respectively). See CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 5

[29] CCW and Blue Marble Research (April 2020), Engaging water customers for better consumer and business outcomes, p. 28

Sampling approach: The CCG asked questions about several aspects of our sampling approach and about how we would account for potential biases introduced through different survey formats and over-or under-representation of certain groups.

- We provide information on the different survey formats in Section 3.1.1 (HH) and 3.1.2 (NHH). To limit the potential for bias arising from different survey formats, we set up the choice exercise as a self-completion activity across all survey formats, including the vulnerable customer and top-up surveys. We also test and report how estimated WTP differs across different survey formats in Section 4.2.2.3. Although we find lower WTP among vulnerable and top-up customers than main sample household customers, this is consistent with such customers having less disposable income overall and does not suggest that the survey format biased our results.

- We assess the extent to which our sample is representative of WW's customer base along a number of dimensions in Sections 3.2 (HH) and 3.3 (NHH). Following a suggestion from the CCG, we use ONS data on Household Reference Persons (HRPs) in the Wessex area as the basis of our comparison for the HH sample. We do see evidence of over- and under-representation of certain groups in our sample.

- CCG members had differing views on whether we should adjust our WTP estimates to account for over- and under-representation of certain groups. Some members thought it essential to adjust our estimates. Others were concerned that we might not collect sufficient data on certain under-represented groups to be able to reliably estimate the required adjustment or were concerned that available population data was not adequate to allow for meaningful adjustment. Given the high response rate we are confident that we have sufficient observations from under-represented groups to derive reliable estimates of how WTP varies across those groups[30]. However, the concern about population data is a reasonable one, and indeed any population adjustment necessarily implies a judgement about who the appropriate reference population is (e.g. should the reference population be heads of household, who are more likely to be male, or the population as a whole?). Recognising the merits of both viewpoints, we present both adjusted and unadjusted WTP estimates in this report. We explain how we derive the adjusted WTP estimates in Section 4.1.4.

- We did not engage in stratified sampling within the main survey, because the Wessex database does not contain the requisite data on customer characteristics. We also did not apply weights when estimating our econometric models, as it is unnecessary to apply weights for variables that are included as controls.[31]

- CCG members expressed concern about combining different groups in a single analysis. They were concerned that certain groups (for example, water-only customers or

[30] We have sufficient observations to be confident in our estimates of the differences in WTP across sub-groups *conditional on responding to the survey*. It is possible that the members of the sub-groups who choose to respond to the survey may not be representative of that sub-group as a whole; if that were the case, then even our adjusted WTP estimates would not reflect population preferences. However, we have no reason to suspect that members of the sub-groups who do respond to the survey are different from members of the sub-groups who do not respond to the survey. Even if we did suspect this was the case, it would be impossible to adjust for it without the ability to compel customers to respond to the survey.

[31] Solon, G., Haider, S. J., & Wooldridge, J. M. (2015). What are we weighting for?. *Journal of Human resources, 50(2),* 301-316.

customers on social tariffs) should be examined in isolation. While in our main analysis we combine all groups, we conducted a number of sensitivity checks to evaluate how results differ across groups, which we report in Section 4.2.2.3. There is some variation in results across groups, but the broad findings that customers are willing to pay for improvements in some environmental attributes but have a strong status quo preference are consistent across groups.

- With respect to the follow-up qualitative study on status quo preference, the CCG made two substantive recommendations that we adopted following agreement from WW. First, the CCG suggested that we increase the number of GHH focus groups from an initial four groups to the final eight groups. Second, the CCG suggested that we use one of the focus groups to target those who had selected the status quo for all five of the attributes under "Area 1: serving every customer".

Interpretation: The CCG made two comments about the substantive interpretation of our results. The first comment relates to the difference between willingness to pay and ability to pay, while the second concerns interpretation of results in the context of rising costs of living.

- It is primarily important to be aware of the difference between WTP and ability to pay (ATP) in contexts where the researcher focuses on ATP and therefore risks overstating WTP. In the present study, we focus on WTP, and the concern raised by the CCG is that by drawing attention to the full budget constraint we capture some combination of WTP and ATP (i.e., our estimated WTP is limited by ATP). This combination of WTP and ATP is the appropriate object to measure in the context of Wessex business planning. It is not useful for Wessex to have an estimate of WTP absent ATP considerations.

- On cost of living, if customers reasonably believe that current cost of living challenges will persist through the PR24 price control period, and consequently have lower WTP for that period, this is not a problem – we want to capture this in our findings. However, it could be that short term effects due to sentiment around the current cost of living (rather than expectations of the future cost of living) might colour our findings. We explicitly tell respondents to consider the period 2025-2030, which helps to guard against this. We also include a question on whether respondents struggle to pay their water bill and a question on motivation where customers have the option to say that they "wanted lower bills, even if it meant a reduction in service". The fact that very few customers report struggling to pay their water bill or a motivation around lower bills gives comfort that it is unlikely that sentiment effects driven by current constraints are leading us to underestimate WTP.[32] As a further check, we examined whether there was evidence of lower WTP in the main sample than the pilot, which could have been driven by greater awareness of possible increases in cost of living later in the year, but did not find evidence of this.

High level: Finally, some CCG members commented that the survey remained relatively high level, and that customer preferences might have different views about an attribute depending on what exactly WW proposed to do (e.g. for wetlands and woodlands).

[32] Only 8 per cent of customers report struggling to pay their water bill. The maximum share of respondents reporting a motivation around reducing bills is 13 per cent, for attribute D; the median share across attributes is 7 per cent.

- We agree that customers may have preferences over the actions WW could take to deliver a specific outcome. The current WTP study is intended to identify, at a high level, the extent to which customers are willing to pay for improvements across a number of different outcomes. For those outcomes where we do identify WTP for improvement, there is a necessary next phase of research to understand customer preferences over actions that WW could take to deliver improvement in those outcomes. We set out our proposals for that next phase of research in Section 5.

3. Survey Implementation

3.1. Fieldwork and Sampling Approach

3.1.1. Household survey

For HH customers, we designed the sampling approach to provide a robust and representative sample of all Wessex Water customers while at the same time balancing the practicalities of implementing a complex survey within the available budget and timeframe. We used three different survey formats to collect responses from HH customers, which we describe in turn in Sections 3.1.1.1 to 3.1.1.4.

3.1.1.1. Main survey

We collected the majority of responses through an online survey, programmed and hosted by Qa Research. Using the same approach that was adopted for the pilot, WW drew a random sample from its database of HH customers for whom an email address was available. Qa issued email invitations to those customers.

The email invitation contained an explanation of the purpose of the survey, details of data protection and adherence to the MRS Code of Conduct, and contact details for Qa Research. To provide further reassurance and encouragement to respondents, the email invitation also included a link to an accompanying letter from WW which provided further explanation about the survey and how the findings would be used. To encourage participation all respondents were invited to take part in a prize draw (administered in line with MRS guidelines) with one cash prize of £500 and two prizes of £250 each, giving a total prize fund of £1,000. Two reminder emails were issued during the surveying period to non-responders.

We issued approximately 80,000 invitations to participate in the survey. We set this number with a view to achieving a target sample size of 1,200 responses given an expected response rate of 1.5 per cent.

The expected response rate was based on data regarding response rates from surveys previously carried out by Wessex Water using the same email invitation approach. Typically, these surveys achieved response rates between 1.7 and 3.7 per cent, with higher rates associated with the payment of an individual £5 incentive for completion (something not available for the WTP survey). Based on this data, our working assumption was that a response rate of between 1.5 and 2.5 per cent was a realistic expectation, considering the survey length, the subject matter, and the use of a prize draw incentive. Consequently, to achieve the target of 1,200 survey completions and based on the lower rate of 1.5 per cent we proposed to send around 80,000 email invitations. Ultimately, a total of 79,031 email invitations were issued for the Main Survey in addition to the 6,456 issued for the pilot survey making a total of 85,487.

We issued email invitations on Tuesday 9 March and the survey closed on Monday 12 April. In total, from the pilot and main stage, 5,850 surveys were completed by recipients of the email invitation, giving a higher-than-expected final online response rate of 6.8 per cent.

To assess the representativeness of the final achieved sample of HH bill payers, we first needed to establish what a representative sample would look like by understanding the profile of bill payers based on both operational criteria and demographics.

WW was able to provide a profile of operational criteria for all customers, including service type (e.g. water only), whether the customer is metered, payment method (direct debit or other), and tariff type (social or other).

To determine the demographic profile of the WW customer base, we used data from the ONS Annual Population Survey (APS) and Census 2011.

- We used data from the APS to construct an age and gender profile. We used data from the APS on Household Reference Persons (HRPs) to establish a demographic profile; HRPs are those responsible for paying the rent/mortgage on the property and therefore are a reasonable proxy for water bill payers. We only used data from Local Authorities (LAs) that approximately aligned with the WW operating area. [33]
- We used data from Census 2011 to construct a profile by socio-economic group (SEG). Since this data is now over a decade old it provides only a rough indication of current SEG profile of bill payers.

3.1.1.2. Top-up survey

We anticipated that certain customer types might be under-represented in the main survey due to non-response to the email invitation. In order to mitigate the impact of this, we conducted a parallel top-up survey to specifically target groups that appeared to be under-represented from the main survey (as far as we could estimate while the survey was ongoing). We ran this top-up survey online using a commercial access panel provider. The questionnaire used was identical to the one used for the main survey, with some small amendments to screen respondents and target key customer types. We used quota sampling, with quotas set to target male customers, those in social grades C2DE and customers aged 65 and over. We collected a further 223 responses via this top-up survey.

3.1.1.3. Vulnerable customer survey

As we conducted both the main survey and top-up survey online, we needed to take additional steps to ensure that digitally disengaged customers were included in the final sample. We conducted a series of interviews with digitally disengaged customers using an interviewer administered face-to-face survey. We adopted a door-knocking approach to collect this sample, as this enabled us to screen and identify suitable customers. We only included customers who said they 'use the internet' either 'Never' or 'Rarely (few times in the year)'. We also used quota sampling to target two vulnerable customer groups so as to ensure sufficient representation of those groups in the final sample, as follows;

- At least 50 per cent of respondents had a long term physical or mental health condition (a response of 'Someone in my household has a long-term physical health condition' OR 'Someone in my household has a long-term mental health condition' at question D7).
- At least 33 per cent of respondents had difficulties paying their water bill on time (a response of 'I regularly struggle with paying my water bill on time, as other payments

[33] We included the following LAs: Bath and North East Somerset; Bournemouth, Christchurch & Poole; City of Bristol; Dorset; Mendip; North Somerset; Sedgemoor; Somerset West and Taunton; South Gloucestershire; South Somerset; Wiltshire.

have priority' OR 'I occasionally struggle with paying my water bill on time, when other payments have priority' at question D5).

To implement this survey, we created a CAPI version of the main survey (administered using a tablet). We made small amendments to this version including the addition of screening questions and interviewer instructions. Crucially, we set up the WTP section of the survey to be self-completion to mirror the online version and asked respondents to complete this section on their own where possible. If respondents were not able to complete this section on their own, the interviewer was instructed to help them through this section.

In total, we collected 105 responses via this vulnerable customer survey.

3.1.1.4. Wessex Panel

To increase the total number of survey responses, we also distributed the survey to members of the Wessex Panel. The Wessex Panel is a continuous customer engagement panel maintained by WW.

WW advertises the existence of the Wessex Panel to its customers, who can choose to opt-in to panel membership. Panel members are invited to participate in surveys or customer engagement activities, typically 2-4 per year.[34] Members are entered into a prize draw for every survey they complete. The panel is operated by Future Focus on behalf of WW.

We understand from WW that the total number of panel members fluctuates but is typically in the region of 2,000 customers. Surveys issued to the panel have a relatively high response rate, typically between 800 and 1,200 responses with more technical surveys typically seeing a lower response rate.

For the present WTP study, Qa provided Future Focus with a generic survey link, which Future Focus distributed to panel members. We collected 779 responses through the Wessex Panel.

3.1.2. Non-household survey

We defined NHH customers as individuals employed by organisations that operate from a separate business premises located in the WW operating area. We therefore excluded individuals employed by organisations without a separate business premises (e.g. sole traders). All respondents to the NHH survey had to have at least some responsibility for making decisions about the water bill that their organisation pays for its premises. No other quotas were set on recruitment: the survey was open to organisations of all sizes that fit the above criteria including private, public and charitable/voluntary organizations.

For NHH customers we could not adopt the same email-based approach to recruitment that we used for HH customers, as WW does not have a direct relationship with NHH customers. Since the introduction of Open Water, NHH customers now deal directly with water retailers. We therefore used three alternative approaches to recruit NHH customers into the survey;

[34] WW has invited panel members to participate in 25 surveys in total since the Panel's inception in 2013. See https://www.wessexwater.co.uk/corporate/customer-service/customer-engagement/customer-panel (accessed 6 May 2022)

- **Commercial access panel:** we conducted an online survey using a commercial access panel provider. The panel provider issued invitations to suitable panelists, who were eligible to take part if they could answer on behalf of a NHH customer and if they satisfied the initial screening questions. This approach yielded 55 survey completions.
- **Retailer recruitment:** the water retailer Water2Business agreed to issue email invitations on our behalf directly to a sample of their customers who are based in the WW operating area. This approach yielded 13 survey completions.
- **'Push-to-web' recruitment:** we used face-to-face recruitment to identify and pre-recruit suitable respondents in the WW operating area. We then sent these respondents an email invitation to take part in the survey. This approach yielded 18 survey completions.

We used the same questionnaire for all stages of the NHH surveying. The WTP section of the questionnaire was identical to the one used for HH customers, although we made some small changes to the text, for example to explain that those attributes that apply only to HH customers (e.g. helping customers experiencing financial difficulty) would be funded by revenue generated from both HH and NHH customers.

3.2. Summary of Data Collected from Household Customers

We have 6,965 completed HH surveys. Of these, 5,850 are from the main survey and pilot, 223 are from the 'top-up' survey, 105 are from the face-to-face 'vulnerable' surveys, and 787 are from an additional online survey completed via the Wessex Panel.

We omit 152 completed HH surveys that we deem unusable. This includes 129 respondents who report an implausibly high annual water bill for a household customer (i.e., exceeding £1,000 per year); 22 respondents for whom the bill amount and prices were not recorded; and one respondent who gave conflicting, mutually exclusive answers for health-related questions.

Therefore, we perform the main stage analysis on a sample consisting of 6,813 responses.

3.2.1. Demographic characteristics

Our final sample includes individuals across the full range of each demographic variable considered. Compared to population averages, the sample shows some over-representation of women, highly educated individuals, and high socioeconomic status individuals.

We summarise the key demographic variables below, then set out the implications for our subsequent analysis.

- **Responsiveness:** Most respondents are willing to answer demographic questions. Respondents had the option to select "prefer not to say" for all demographic questions. The share of respondents selecting this option only exceeds 10 per cent for two variables: education (13 per cent) and income (24 per cent).

- **Gender:** 52 per cent of respondents willing to describe their gender are male and 48 per cent are female.[35] Based on data from the Annual Population Survey, the expected gender profile for the operating area is 60 per cent male and 40 per cent female.[36]
- **Age:** The 65-74 age group has the largest number of respondents. However, based on data from the Annual Population Survey, this age group is over-represented in the sample (see Figure 3.1).
- **Education:** Respondents in our sample are relatively highly educated compared to the reference population. 63 per cent of respondents in our sample who report their highest educational qualification hold a qualification higher than A-level equivalent, whereas the UK government reports that, as of 2021, 47 per cent of adults aged 19-64 have a qualification higher than A-level equivalent[37] (see Figure 3.2).
- **Socioeconomic group (SEG):** Most respondents are from higher socioeconomic groups. 50 per cent of respondents who report the employment status of the main income earner reported socioeconomic groups ABC1. A further 40 per cent of respondents indicated that the main income earner is retired, with only 10 per cent C2DE other than retired. Our sample therefore suffers from under-representation of working-age C2DE individuals; based on the 2011 census, the expected profile for the operating area for adults aged 16-64 is 56 per cent ABC1 and 44 per cent C2DE (see Figure 3.3).[38]

We account for the under- and over-representation of certain demographic characteristics in our sample in our estimation of WTP as follows:

- First, we can calculate population-adjusted WTP estimates by including demographic variables as control variables when estimating our model, and then applying population average values of demographic characteristics when we evaluate the model to derive WTP estimates.[39] We explain this further in Section 4.1.4.
- Second, to ensure that the large number of retirees is not distorting the results for the C2DE group, we treat retirees as a separate socioeconomic group from other C2DE.

[35] These percentages are rounded; the sample also includes 17 non-binary respondents.

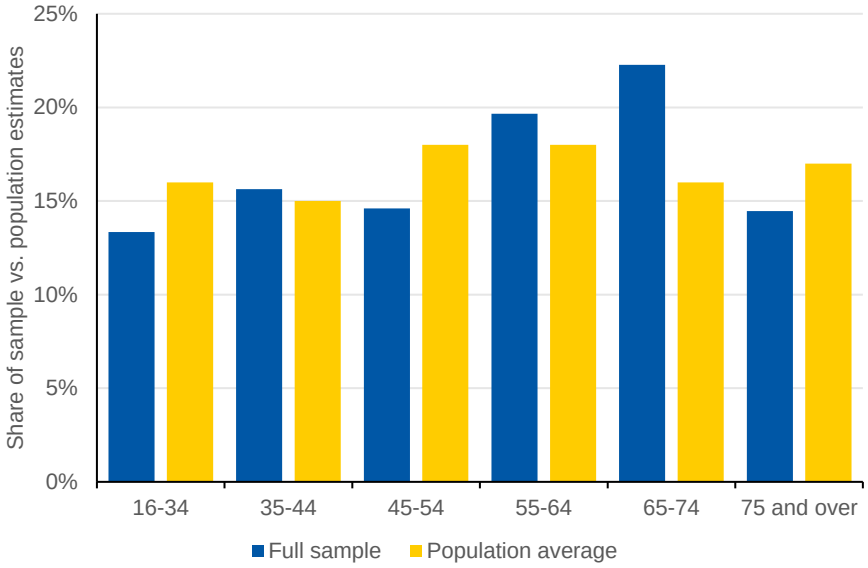
[36] Percentages provided by Qa, based on Office for National Statistics, Annual Population Survey (October 2020 to September 2021) for the following local authority areas: Bath and North East Somerset; Bournemouth, Christchurch & Poole; Bristol, City of; Dorset; Mendip; North Somerset; Sedgemoor; Somerset West and Taunton; South Gloucestershire; South Somerset; Wiltshire.

[37] HM Government (25 November 2021), Education and training statistics for the UK. Link: Create your own tables, Table Tool – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk) (accessed 3 March 2022)

[38] Percentages provided by Qa, based on 2011 census.

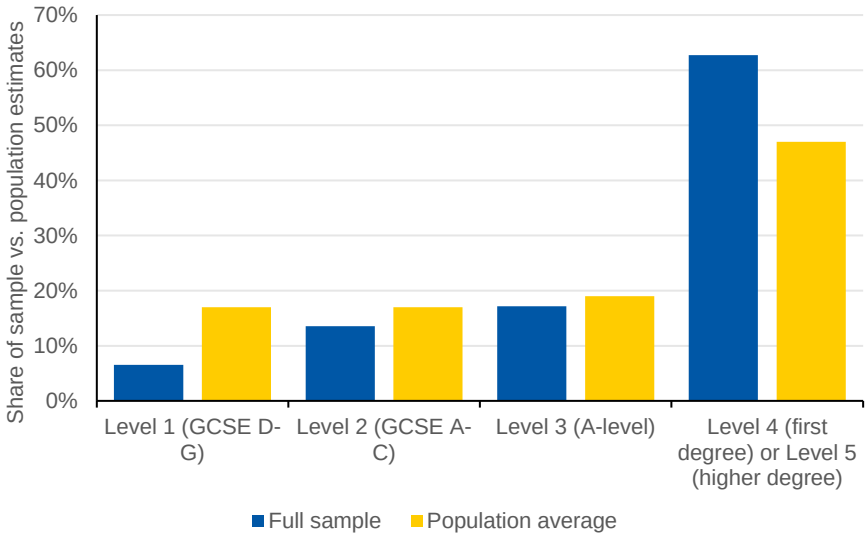
[39] This approach is effective under the assumption that those who complete the survey are representative of their group (i.e. survey non-completion is random).

Figure 3.1: Individuals Aged 55-74 are Somewhat Over-Represented



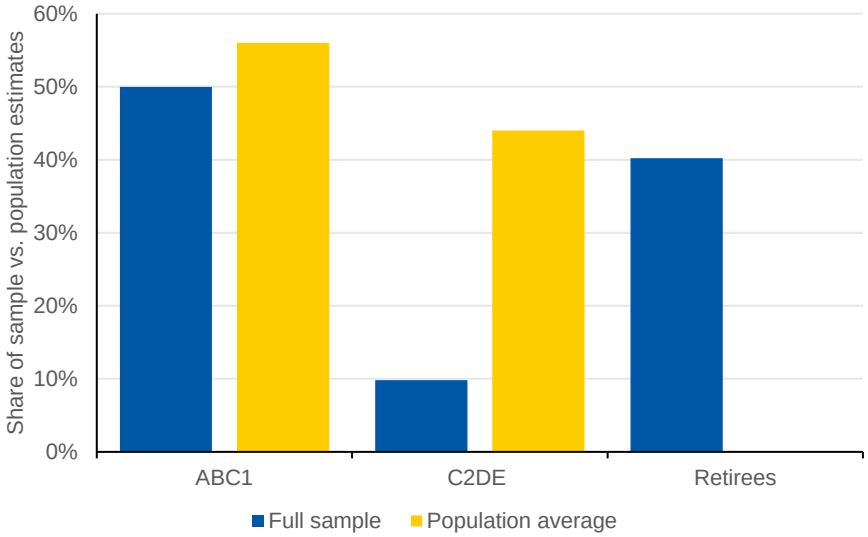
Source: NERA analysis of WTP survey data and ONS data.

Figure 3.2: Individuals with Tertiary Education are Over-Represented



Source: NERA analysis of WTP survey data and ONS data.

Figure 3.3: The C2DE Socioeconomic Group is Under-Represented



Source: NERA analysis of WTP survey data and ONS data.

3.2.2. Billing characteristics

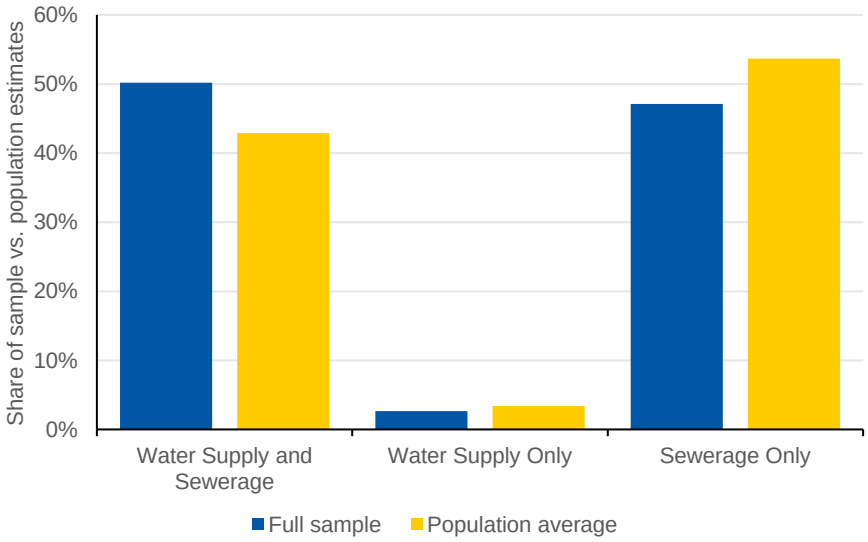
The survey collects data on characteristics of the respondents in their capacity as Wessex Water customers. Dual (i.e. both water and sewerage) and metered customers are over-represented. Most respondents pay their water bill via direct debit, and do not have difficulty paying that bill. Most respondents have never contacted their water company.

- **Bill type:** 50 per cent of respondents are water supply and sewerage customers, 47 per cent are sewerage only customers, and the remaining 3 per cent are water supply only customers. Thus, there is a slight discrepancy with the target profile identified by Qa, based on criteria held by Wessex Water, of 43 per cent water supply and sewerage, 54 per cent sewerage only, and 3 per cent water supply only (see Figure 3.4).
- **Social tariff:** Most respondents (97 per cent) indicate that they are not under a social tariff. This is in line with the target profile identified by Qa, based on criteria held by Wessex Water, of 96 per cent not in receipt of social tariff.
- **Direct debit:** Most respondents willing to reporting their payment method pay via direct debit (75 per cent). This is again in line with the target profile identified by Qa, based on criteria held by Wessex Water, of 74 per cent direct debit payees.
- **Meterage:** Metered customers (84 per cent) are over-represented with respect to the target profile identified by Qa, based on criteria held by Wessex Water, of 68 per cent metered customers.
- **Difficulty paying:** Amongst respondents willing to share this information, most (70 per cent) report that they never struggle with paying their water bill, while only 8 per cent regularly or occasionally struggle with paying their water bill. A further 14 per cent rarely struggle with paying their bill, while 8 per cent did not know or preferred not to say.

- **Contact with water company:** Most respondents (64 per cent) report that they have never contacted their water company.

We use population weights to adjust our WTP estimates for over- or under-representation of billing characteristics, using the same technique adopted for demographic characteristics.

Figure 3.4: Customers Receiving both Water Supply and Sewerage from WW are Relatively Over-Represented



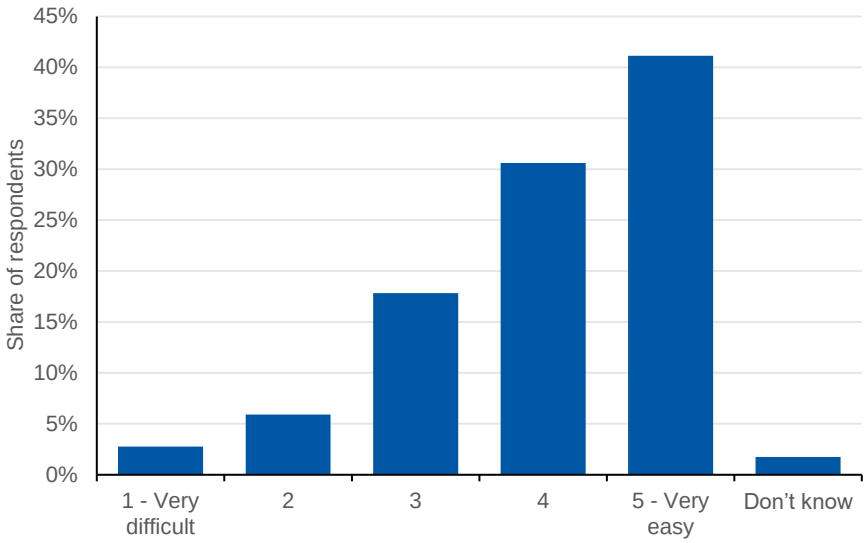
Source: NERA analysis of WTP survey data and Wessex Water data.

3.2.3. Experience of completing survey

The survey includes data that allows us to evaluate whether respondents found the survey easy or difficult to complete, to understand the extent to which respondents change their decisions on individual attributes when considering their service package as a whole, and to examine how respondents are making decisions when they complete the survey.

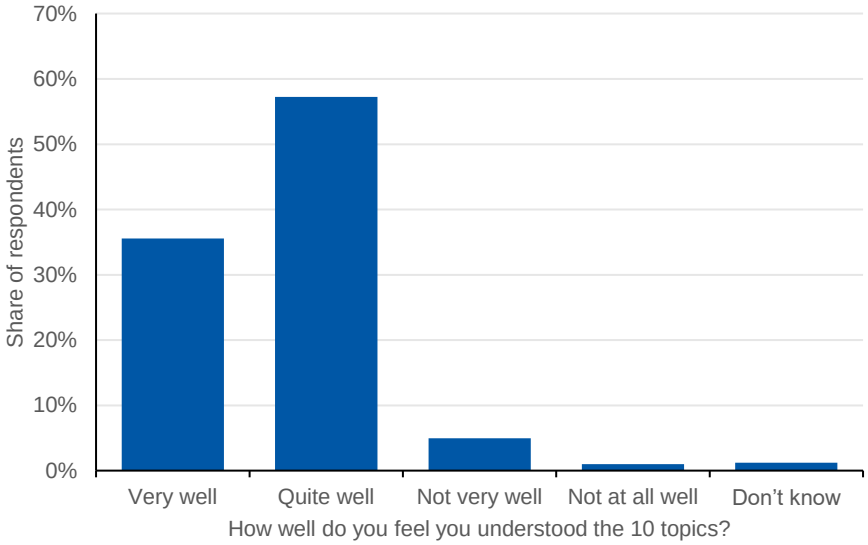
- **Ease of understanding options and topics:** Respondents were asked to indicate both how easy they found it to work out the differences between options and how well they understood the 10 topics. Most respondents report that it was either "very easy" or "quite easy" (72 per cent) to understand the different options presented, and that they understood the 10 topics "very well" or "quite well" (93 per cent). Since most respondents indicate that they understood the survey, this should give us confidence that the results of our analysis are credible.

Figure 3.5: Most Respondents Found it Easy to Understand the Difference Between the Options Provided



Source: NERA analysis of WTP survey data.

Figure 3.6: Most Respondents Report that they Understood the 10 Topics Well

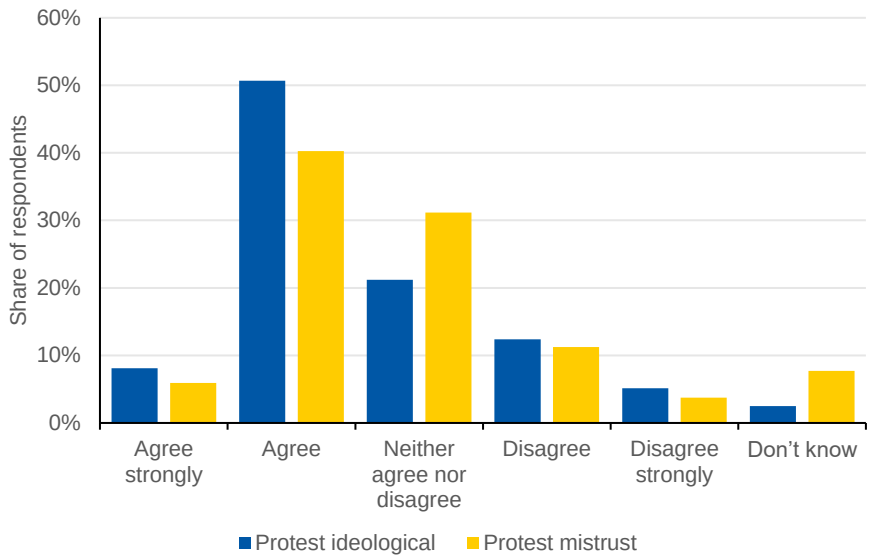


Source: NERA analysis of WTP survey data.

- **Respondents changing decisions:** After respondents had answered all survey questions, they had the option to review the total impact of their combined decisions on their bill and make changes (see Section 2.4.1). Only 7 per cent of the sample opted to change their decisions, suggesting that respondents are mostly happy with their initial decisions and are unlikely to change them.

- **Protest:** We asked respondents two questions to elicit whether they held "protest" attitudes towards paying for water services, as there is evidence from academic literature that protest attitudes can influence behaviour in WTP studies.[40]
  - Our first question asked whether respondents agreed that "if WW invests more to provide a better response to these ten topics then bills will increase". This was designed to identify respondents who have an ideological objection to being asked to pay for water services. 18 per cent of respondents either disagreed or strongly disagreed with this statement.
  - Our second question asked whether respondents agreed that "if WW invests more and bills increase, then the company will deliver the targeted improvements". This was designed to identify respondents who are mistrustful of WW. 15 per cent of respondents either disagreed or strongly disagreed with this statement.

Figure 3.7: Between 15 and 20 per cent of Respondents Exhibit Protest Attitudes



Note: Total respondents = 6,348 as this question was not included in the 'pilot' survey.
Source: NERA analysis of WTP survey data.

We include control variables in the final specification to understand and account for the impact of survey understanding and protest attitudes on WTP.

[40] The exemplar study of protest attitudes and status quo preferences was investigating WTP for forest diversification in Germany. It asked respondents to indicate the extent to which they agreed with four different statements on a five-point scale. The statements were as follows (1) I already pay enough for other things (2) Lower Saxony should cut public spending for other things instead of expecting a voluntary contribution from me (3) It is my right to have a high level of biodiversity in forests and not something I should have to pay extra for (4) I refuse to assess nature in monetary terms. See Meyerhoff and Liebe (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528.

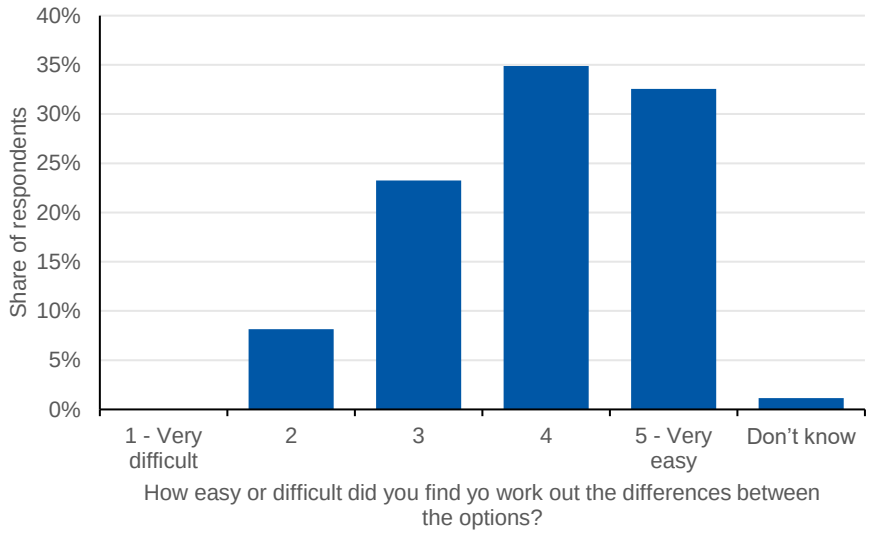
3.3. Summary of Data Collected from Non-Household Customers

We have 91 completed NHH surveys. However, we omit 5 completed surveys for which the bill amount and prices were not recorded, thus performing the final analysis on a sample of 86 responses.

Overall, most respondents indicated that they found the survey easy to understand and complete, though some expressed potential "protest" attitudes.

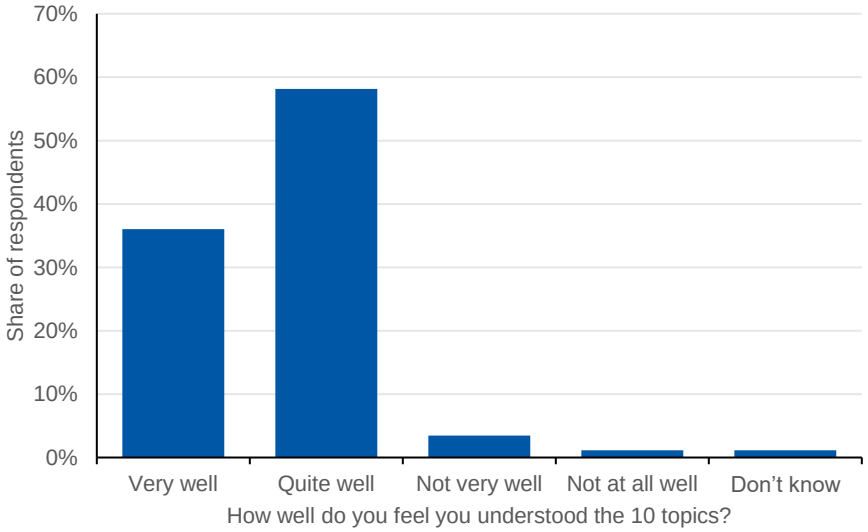
- **Supply type:** 65 per cent of respondents are water supply and sewerage customers, 35 per cent are sewerage only customers, and none are water supply only customers.
- **Payment method:** Amongst those willing to answer this question, most respondents (85 per cent) pay their water bill directly to a water supplier, with only 9 per cent paying it as part of the rent and only 6 per cent within a service charge or similar.
- **Ease of understanding options and topics:** As in the HH survey, respondents were asked to indicate both how easy they found it to work out the differences between options and how well they understood the 10 topics. Again, most respondents reported that it was "very easy" or "easy" to understand the differences between the options (67 per cent) and that they have understood the topics "very well" or "quite well" (94 per cent).

Figure 3.8: Most NHH Respondents Found it Easy to Understand the Difference Between the Options Provided



Source: NERA analysis of WTP survey data.

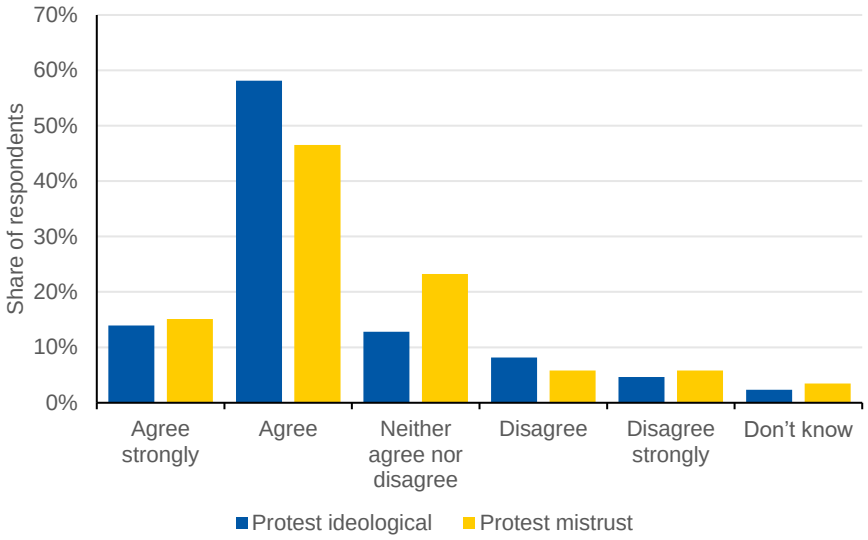
Figure 3.9: Most NHH Respondent Report that they Understood the 10 Topics Well



Source: NERA analysis of WTP survey data.

- **Respondents changing decisions:** The fact that only 14 per cent of the sample opted to change their decisions provides evidence that respondents are generally happy with their initial decisions and are unlikely to change them, as was the case with the HH survey.
- **Protest:** The same two questions as in the HH survey were asked to test potential "protest" attitudes towards paying for water services. Based on their responses to these questions, 13 per cent of NHH respondents could be considered to have an ideological objection to being asked to pay for water services and 12 per cent could be considered to be mistrustful towards water companies.

Figure 3.10: Over 10 per cent of NHH Respondents Exhibit Protest Attitudes



Source: NERA analysis of WTP survey data.

- **Standard Industrial Classification (SIC) codes:** As Table 3.1 shows, the non-domestic sample is relatively representative of the range of industries present in the UK, as based on SIC codes. The main discrepancies lie in the 'manufacturing' and 'professional, scientific and technical' categories. Manufacturing is over-represented as compared to the population, while professional, scientific, and technical industries are under-represented. It is likely that this in part reflects a difference between the industrial mix present in the WW operating area and the industrial mix present in the UK as a whole, rather than a difference due to survey response alone.

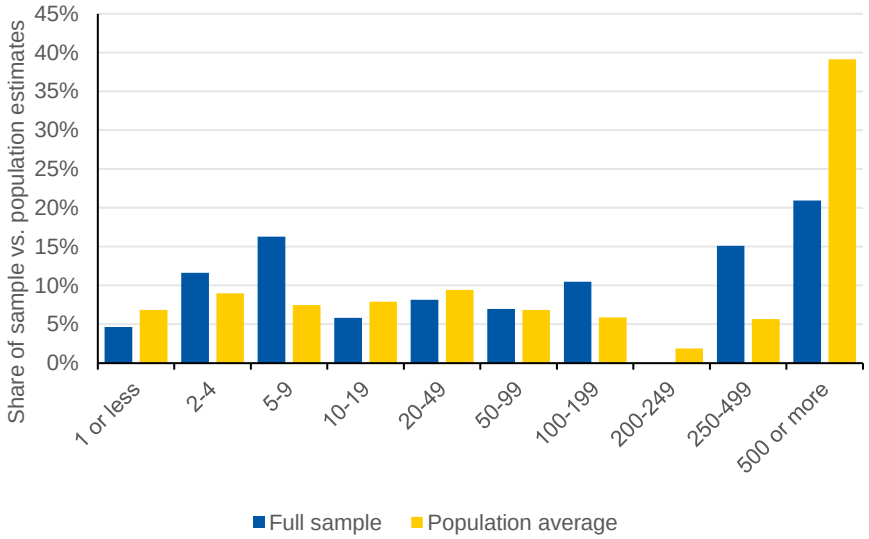
Table 3.1: The Sample Represents a Mix of NHH Customers from a Wide Range of Industries

	Population	Sample	Diff.
A - Agriculture, forestry and fishing	1%	1%	0%
B - Mining, quarrying and utilities	0%	0%	0%
C - Manufacturing	6%	16%	-10%
D - Electricity, gas, steam and air conditioning supply	0%	3%	-2%
E - Water supply, sewerage, waste management and remediation	0%	3%	-2%
F - Construction	13%	11%	3%
G - Wholesale and retail trade; repair of motor vehicles	14%	16%	-2%
H - Transport and storage	4%	4%	0%
I - Accommodation and food services	5%	5%	0%
J - Information and communication	11%	7%	4%
K - Finance and insurance	2%	3%	0%
L - Real estate activities	4%	3%	1%
M - Professional, scientific and technical	21%	7%	14%
N - Administrative and support services	9%	1%	7%
O - Public Administration and Defence; Compulsory Social Security	-	3%	-
P - Education	1%	4%	-2%
Q - Human health and social work	3%	8%	-5%
R - Arts, entertainment and recreation	2%	4%	-2%
S - Other service activities	3%	4%	-1%

Source: NERA analysis of WTP survey data and ONS data.

- **Number of employees:** Compared to population means, companies with between 2 and 9 employees and with between 200 and 500 employees are over-represented. Also, companies with more than 500 employees are under-represented. The under-representation of large companies may again be in part reflective of differences between the WW operating area and the UK as a whole.

Figure 3.11: Smaller and Larger Companies are not Well-Represented



Source: NERA analysis of WTP survey data and Statista data.

3.4. Conclusions on Survey Performance

Evidence from the cognitive interviews indicates that, on the whole, respondents viewed the survey as well-thought-out and easy to navigate. Additionally, respondents could make rational choices based on the attribute descriptions, costs and impacts presented and this was enhanced by the consistency of the ten separate choice screens which helped participants quickly comprehend what they needed to do. Participants at the cognitive stage identified some small formatting and wording changes to improve the survey, which we subsequently made prior to the pilot as described in Section 2.6.2.

Inevitably, completing the survey did raise questions from some cognitive interview respondents in relation to how WW is run and how investment decisions are made, how we and WW developed the options included in the survey, what level of contribution would be made by shareholders, and questions about executive pay. However, this curiosity did not prevent respondents from working through the WTP exercise in a considered way.

Amongst HH customers directly invited to take part in the survey via an email invitation, a final response rate of 6.8% was well beyond expectations. As such, the sample size we have for our analysis is significantly larger than in comparable surveys we have performed for individual water companies in the past.

The sample appears to over- and under-represent some socioeconomic groups. This reflects the fact we sent the survey to an extremely large number of people, and some groups exhibited a greater tendency to respond. For instance, highly educated and older people are over represented in our sample relative to the population average. However, because of the significant sample size, we have a very high number of survey responses from all demographic groups. This means that our willingness to pay analysis (discussed further below) can (i) accurately identify differences in customers' attitudes across demographic groups, and (ii) control for differences between our sample and population demographics when we estimate average willingness to pay.

Other data we collected as part of the main survey also suggested that the survey performed well. A high proportion of customers who participated in the survey reported a high level of understanding of the topics and service level options, and a relatively small proportion of the sample exhibited protest responses.

We also collected information on survey performance as part of the follow-up qualitative study on status quo preferences among HH customers. In the follow-up study, customers understood the attribute descriptions and service options presented. They were able to weigh up the probability and cost to make an informed choice. All respondents were able to discuss and justify, debate and discuss the choices they had made. There was no evidence to suggest that respondents were selecting the status quo as a default because they did not understand what they were being asked or because they were not engaged with the survey.

Overall, we therefore consider the survey data collected provides a reliable basis for performing our willingness to pay analysis, discussed in the following chapter.

4. Willingness-to-Pay Analysis

4.1. Methodological Approach

The data collected from the stated preference exercise allows us to estimate the extent to which customers would be willing to pay a specified amount for the specific package of service levels across attributes that they selected. However, this individual data is of limited utility to WW.

From a business planning perspective, WW needs to know how much a representative average customer would be willing to pay for a change to the level of service for each attribute individually, which reflects the fact that WW cannot typically target service changes only on subsets of its customer base, and the service changes it does implement affect the bills paid by the generality of its customer base. We estimate this willingness to pay (WTP) using the conceptual framework of utility functions estimated using an econometric tool called the "logit" model.

4.1.1. Utility functions

A utility function is a conceptual framework used in economics to think about customers' general wellbeing. We assume that each customer's utility, or well-being, depends on the quality of water services they receive and on the bill for water services, among other things. Customers' utility improves as the quality of the service received from the water company improves and falls as the bill increases. We can use this trade-off inherent in the utility function to derive a value for WTP.

Consider a simple example with one service attribute, where we represent the utility function for a single customer i as an equation:

$$U_{il} = c + aQ_l - bB_l + e_{il}$$

Here U_{il} is the utility person i derives from service level l; c is constant, baseline utility; Q_l is the quality of service at service level l; B_l is the bill associated with service level l; and e_{il} is a catch-all "residual" term for the utility that person i derives from other things when they receive service level l and pay B_l for it. The terms a, b, and c are referred to as the "parameters" of the utility function.

To get the utility function for the average customer, we need to find a way to eliminate the customer-specific elements. The term e_{il} is the only element on the right-hand side that is customer-specific; on average, we assume $e_{il} = 0$.[41] Therefore, for the average customer, the utility function is:

$$U_l = c + aQ_l - bB_l$$

We can use this utility function for the average customer to derive WTP for a change in service as follows. Consider that a customer should be willing to change their bill for the sake of a change in service up to the point that the customer's utility is the same with or without the change: that is, the change in utility associated with the change in service and bill

[41] This is a conventional assumption in economics.

is zero. We can write this in terms of the utility function, using Δ to represent changes, as follows:[42]

$$\Delta U_l = a\Delta Q_l - b\Delta B_l$$

$$0 = a\Delta Q_l - b\Delta B_l$$

The WTP is simply the extent to which a customer is willing to change their bill for a given change in service, i.e., the ΔB such that the change in utility from the change in service and bill is zero. Therefore, we derive the WTP by solving the above equation for ΔB:

$$\text{WTP} = \Delta B = \frac{a}{b}\Delta Q$$

4.1.2. Logit model

We do not have data on customers' utility, and so we cannot directly apply the calculations above to estimate WTP. What we have instead is data on customers' choices made in response to our survey questions. By understanding how choices relate to utility, we can use the data we do have to get estimates of WTP.

Customers will choose one combination of service levels and bill payments, l, over another combination, m, if the utility they derive from l is higher than the utility they derive from m. That is, customer i will choose combination l over m if:

$$U_l > U_m$$

$$c + aQ_l - bB_l + e_{il} > c + aQ_m - bB_m + e_{im}$$

$$a(Q_l - Q_m) - b(B_l - B_m) + e_{il} - e_{im} > 0$$

If we make certain assumptions about e_{il} and e_{im}, and we have data on what customers choose when presented with l and m as options, then we can estimate what the values of a and b must be so that the equation above holds true when we observe customers choose l over m. Once we have estimates of the utility function parameters a and b, then we have estimates of WTP.

The logit model refers to the standard set of assumptions that economists make about e_{il} and e_{im}. Applying this logit model allows us to derive estimates for a and b and thus derive estimates of WTP.

4.1.3. Model development

The example described in Sections 4.1.1 and 4.1.2 is highly simplified. There is only one service attribute, and customers have only two options to choose between. There is no scope for other factors, such as demographic characteristics, to influence utility except through the catch-all residual term e_{il}.

In practice, the conceptual framework of the utility function and the econometric technique of the logit model can handle far more complexity than this simple example. The utility

[42] The constant term, c, can be omitted because it is constant and never changes.

function can be extended to include multiple service attributes and account for the influence of other factors. The logit model can be used to derive estimates for this more complex utility function, given data on choices over a range of options.

In the stated preference exercise at hand, there are many different ways in which the utility function could be extended. We have data on multiple service factors and a range of variables reflecting demographic characteristics, billing characteristics, and the respondents' interactions with the survey, as set out in Sections 3.2 and 3.3. We can choose which additional control variables, such as demographic characteristics, to include in the equation that is the utility function; and how the relationship between those variables, water services, and utility should be expressed mathematically.

We refer to each of the different possible extensions of the utility function as a different "model" for the utility function. We can use different models to answer different questions about customers' WTP. For example, we may estimate a simple model that includes only the different service attributes and the water bill to understand average preferences within our sample; or we might include one or more control variables in the model to understand how preferences differ between subgroups of the WW customer base.

4.1.4. Derivation of WTP estimates from logit model estimates

In general, our logit models estimate utility functions that include the following parameters:

- Parameters of the form a_j, which capture the marginal utility derived from an incremental improvement in service from the reference service level 1 (deterioration) of attribute j;[43]
- Parameters of the form s_j, which capture the additional utility a customer derives from the status quo service level (level 2) of attribute j because it is the status quo;
- The parameter b, which captures the marginal utility of having a lower bill;
- Parameters of the form d_{jk} and q_{jk}, which respectively capture how the marginal utility derived from incremental improvement in attribute j and the additional utility derived from the status quo level of attribute j change with control variable k; and
- The parameter c_k, which captures how the marginal utility of having a lower bill changes with control variable k.

In a simple model without control variables, we calculate the incremental WTP for service level l of attribute j as $\frac{a_j}{b} \times \Delta Q_{jl}$, using our estimated values of a_j and b and letting ΔQ_{jl} be

[43] For attributes where service levels are numerically defined, the incremental improvement is a unit improvement. For example, the service levels of attribute B are defined in terms of test failures; therefore a_B captures the marginal utility the average customer gets from one fewer test failure. For attributes where service levels are not numerically defined, the incremental improvement is a step increase in the service level. For example, a_E captures the marginal utility the average customer gets as a result of moving from service level 1 of attribute E to service level 2 of attribute E and from service level 2 to service level 3.

the change in service of attribute j between level 1 and level l.[44] This is line with the expression for WTP derived in Section 4.1.1.

We calculate the additional WTP for the status quo service level (level 2) of attribute j as $\frac{s_j}{b}$, using our estimated values of s_j and b.[45] We calculate a combined WTP for service level 2 as the sum of the WTP for incremental improvement and the WTP for the status quo.

In a model with control variables, we calculate the incremental WTP for service level l of attribute j as $\left(\frac{a_j}{b} + \frac{d_{jk} \times k^*}{c_k \times k^*}\right) \times \Delta Q_{jl}$, where k^* is a particular value of the control variable k. If we are interested in understanding the population average WTP, we can set k^* equal to the population average value of k. Alternatively, if we wanted to know the WTP for an individual with a particular value for k, we can set k^* equal to that value.

Similarly, in a model with control variables, we calculate the additional WTP for the status quo as $\left(\frac{s_j}{b} + \frac{q_{jk} \times k^*}{c_k \times k^*}\right)$.

In some cases, the above approach may yield negative WTP for incremental improvements in service for some attributes. This happens if the statistical analysis shows that respondents are more likely, on average, to choose packages with lower service levels for those attributes than packages with higher service levels, even when the total cost of the package is controlled for; so a_j is negative. However, there is a subtle difference between this pattern of choice behaviour and a true negative WTP for incremental improvements.

A true negative WTP for incremental improvements would imply that respondents want to be compensated for incremental improvements in service. This is fundamentally implausible and also not a preference that any individual survey respondent has actually expressed; it was impossible for respondents to express such a preference because the survey was constructed so that the improved service level always increased the customer's bill. Therefore, when the model produces a negative WTP for incremental improvements we instead assume a zero WTP for incremental improvements.

4.1.5. Sample used for estimation

If we were to approach our analysis using standard WTP techniques, we would face significant computer processing challenges. The standard WTP technique is to build a single dataset containing a row for each possible option that each respondent could have chosen.

The standard technique works well when using stated preference exercises that ask respondents to choose between two pre-defined packages, as described in Section 2.4.2. Each respondent has only two options per round, and so the number of rows in the dataset is equal to the 2 × the number of rounds × the number of respondents. With ten rounds and our sample of c. 7,000 responses, this would generate a dataset of c. 140,000 rows, which modern statistical software can easily handle.

[44] For example, for level 2 of attribute B, ΔQ would be 25, while for level 3 it would be 35. For level 2 of attribute E, ΔQ would be 1, and for level 3 it would also be 1.

[45] We implicitly set $\Delta Q = 1$ because we are considering a step change in service level.

The standard technique runs into problems when using our new stated preference exercise, that allows respondents to build their own preferred package. In this setting, each respondent faces 1,048,576 possible options.[46] Therefore, if we were to build a dataset to use in our WTP analysis of all possible options for each respondent, we would have a dataset of several billion rows. This is too large for standard statistical software to process in a time-efficient manner.

We avoid these problems by using a reduced dataset that contains, for each respondent, the option that the respondent did select as well as a random selection of the options that the respondent did not select. This approach was initially proposed by econometricians in the 1970s in the context of studying the choice of housing, where the set of possible options is near limitless.[47] As long as we include a sufficient number of the non-selected options, and do this in a random way, this approach produces results that closely approximate the results that we would obtain using the standard complete dataset.

We report the results of models estimated using a 0.5 per cent random sample of non-selected options (c. 5,000 non-selected options per respondent, respectively). As compared to other sample sizes we considered (10 per cent, 1 per cent, 0.1 per cent), we found that 0.5 per cent samples strike a good balance between model accuracy and feasibility (larger samples mean the model takes longer to estimate, given the large number of respondents).

To produce this reduced dataset, we use the following approach:

1. For each respondent, we start with a dataset containing the single option that the respondent actually selected.
2. We then extend the respondent-specific dataset by randomly generating a fixed number of draws from the set of possible options (5,000 draws for a 0.5 per cent sample).[48] We drop any duplicates so that for each respondent, any given option appears in the dataset only once.
3. We combine the respondent-specific datasets into a single dataset for our WTP analysis.

Due to the randomisation, the number of duplicate draws differs across respondents and so the final number of rows differs across respondents. This does not create a problem for our analysis: it is not necessary to have an equal number of observations for each respondent as long as the ex ante probability of any single non-selected option appearing in the final dataset is equal across non-selected options and across respondents.

When using random sampling techniques, it is standard practice to account for the possibility that results could be sensitive to the particular random sample of non-selected options used (referred to as testing sensitivity to the random seed). We do this by estimating each model using four different random seeds and taking the average estimated WTP across these models as our final result.

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[46] There are ten attributes with four possible choices for each attribute, leading to a total of $4^{10} = 1{,}048{,}576$ possible combinations of choices.

[47] McFadden, D. (1977), Modelling the Choice of Residential Location, Cowles Foundation Discussion Paper No. 477

[48] To implement this, we select from a uniform distribution over integers between 1 and 4 inclusive for each of the 10 attributes. Each integer is then the level chosen, between 1 and 4, for each attribute. This generates one of the 1,048,576 possible combination options, with each combination option equally probable.

4.2. Results for Household Customers

In this section, we examine household customers' WTP for changes in service.

We examine WTP estimates from both the "simple model", which reflects the WTP of customers observed in our sample, and the "adjusted model", in which the WTP estimates are adjusted for the average values of demographic and billing characteristics in the reference population of WW household reference persons. In both models, we examine whether there is willingness to pay for incremental improvements in service and whether there is evidence that respondents place additional value on the status quo option.

We also perform sensitivity checks. For both the simple and adjusted models, we perform sensitivity checks to test whether the estimates are affected by the random selection of non-selected options. Specifically, we run the model with four different random seeds and report a WTP calculated as their average. For the simple model only, we examine how the estimates are affected by restricting the analysis to certain sub-groups of the sample, for example, only those who responded via the Wessex Panel, or those who have had previous contact with WW.

- Section 4.2.1 provides a summary of our findings.
- Section 4.2.1.4 provides further detail on the models that we estimated and presents tables of the WTP estimates.

4.2.1. Summary of findings

4.2.1.1. Customers want improvements in some environmental attributes

We first examine whether respondents exhibit a willingness to pay for incremental improvements in service. We find that there is a difference between attributes that fall under priority area 1 "serving every customer" and attributes that fall under priority area 2 "protecting and enhancing the environment".

For attributes that fall under priority area 2, i.e. environmental attributes, customers exhibit willingness to pay for incremental improvements in service. We see a positive incremental willingness to pay for most environmental attributes in both the simple and adjusted models. The exceptions are attributes G ("reducing wastewater pollution incidents") and I ("achieving net zero carbon emissions") in the adjusted model, where we do not find that customers are willing to pay for incremental improvements.

Although customers are willing to pay for incremental improvements in service for most environmental attributes, they still may not be willing to pay for improvement relative to the status quo if the additional value they place on being at the status quo is large. We see this for several environmental attributes in the adjusted model. For example, for attribute F ("taking water out of rivers and streams"), respondents place a relatively high additional value of £18.33 on the status quo option, which exceeds their incremental WTP for a large improvement in service of £5.23.[49] Consequently, taking into account all customer

[49] We calculate £5.23 as the difference between the incremental WTP for the large improvement and the incremental WTP for the status quo, £7.85 - £2.62.

preferences, the evidence suggests that customers are not WTP to switch from the status quo to an improvement in service.

Taking into account both customers' incremental WTP for improvements and the value they place on the status quo, we find that customers are willing to pay for large improvements in service in both the simple and adjusted model specifications for attribute J ("supporting nature and wildlife") only. For attributes F ("taking water out of rivers and streams"), H ("improving river and coastal water quality"), and I ("achieving net zero carbon emissions") customers are willing to pay for incremental improvements in service, but only in the simple model do we see that customers' willingness to pay for incremental improvements in service outweighs the additional value they place on the status quo. For attribute G ("reducing wastewater pollution incidents"), customers are willing to pay for incremental improvements in the simple model only.

In our preferred specification which simultaneously adjusts for population weights on both demographic and billing variables, customers are willing to pay just over £20 extra per year for a large improvement in supporting nature and wildlife (specifically, to create an additional 100 football pitches worth of wetlands and woodlands).

Our survey approach does not give us sufficient information to say why this attribute appears to have a higher customer willingness to pay for improvement than other attributes. One hypothesis to explain the lower WTP for attribute F is that customers may have lacked certainty about what they would receive for the bill increase, since the service levels were not quantified. With regard to attributes G and H, customers might view avoiding wastewater pollution incidents and coming closer to the target levels of damaging chemicals as things that WW should be doing already, without needing to increase bills. On the other hand, with regard to attribute I, one hypothesis is that reducing carbon emissions faster than required by government targets (the status quo level) was not deemed necessary by respondents. Further work could be done during phase 2 research to investigate customers' motivations for these responses.

4.2.1.2. Customers prefer the status quo service level for many attributes

Customers assign additional value to the status quo option across all attributes in both models, with the exception of attribute J ("supporting nature and wildlife") in the "adjusted" specification. This result is statistically significant for all attributes in the simple model.[50] For a number of attributes, particularly in "Area 1: Serving every customer", the additional value assigned to the status quo is of such magnitude that customers actively prefer the status quo to an improvement for all of these attributes and appear, on aggregate, to require compensation for an improvement in service levels.

The finding of a strong status quo preference, and implication that respondents would need to be compensated for movement away from the status quo, is not uncommon in WTP studies, including in WTP studies of water customers in England and Wales.[51]

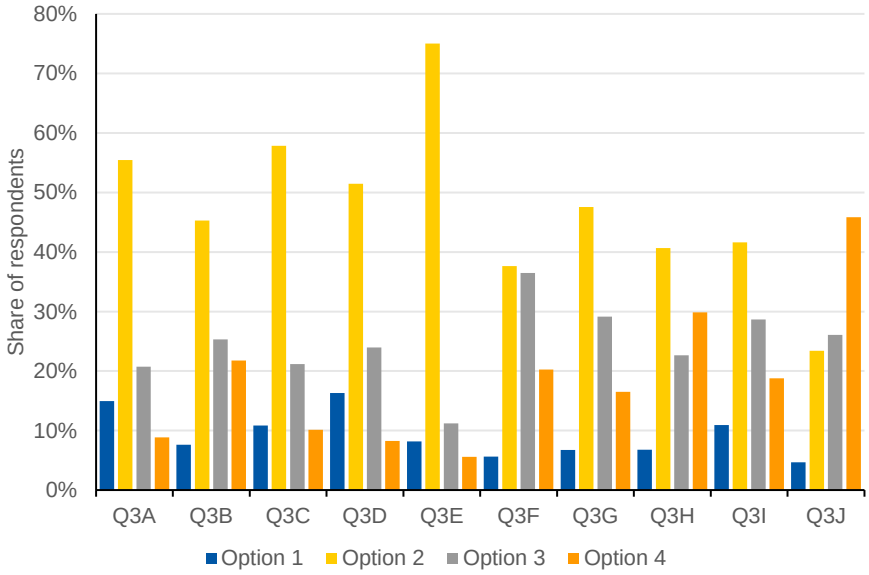
[50] In the simple model, we test the null hypothesis that the coefficient on the status quo level of each attribute equals zero and find that we can reject this null for all attributes.

[51] See for example Lanz, B. and Provins, A. (2015), *Using discrete choice experiments to regulate the provision of water services: do status quo choices reflect preferences? Journal of Regulatory Economics 47*, pp. 300-324.

Some WTP studies do not allow customers to express a preference for the status quo. For example, studies that require customers to choose between pre-defined packages may not include the status quo package as an option. Since such studies effectively force customers to choose either improvement or deterioration in service (i.e. they are forced away from the status quo), they may over- or under-estimate customers' actual WTP for improvement in service. As such, we consider our approach which does not force customers away from the status quo is likely to better capture customers' underlying preferences, including where they prefer to retain current service levels.

Although on aggregate our WTP results suggest that the average customer requires compensation for improvements in service, no individual survey respondent has actually expressed a desire to be paid to receive improvements in service. It was impossible for respondents to express such a preference because the survey was constructed so that the improved service level always increased the customer's bill. Instead, these results are driven by the fact that many respondents selected the status quo option, as seen in Figure 4.1.

Figure 4.1: Most Customers Select Option 2 (Status Quo) for All Attributes Except J



Source: NERA analysis of WTP survey data.

4.2.1.3. Possible explanations for observed status quo preference

Academic literature has proposed a number of factors that could explain the additional status quo preference observed in WTP studies, including:

- **True status quo preference:** Respondents may be generally averse to change or happy with the current level of service, and therefore have a true preference for the status quo option. Customers may be particularly averse to what they perceive as a loss relative to the status quo, whether in the form of deterioration in service or increase in their bill.[52] In the current economic climate, it is very plausible that customers do not want to see

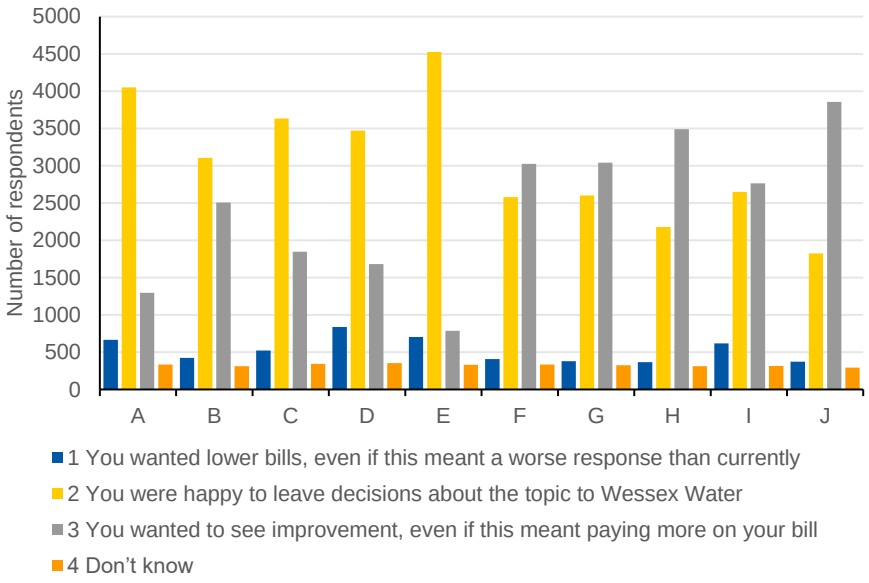
[52] Kahneman, D., Knetsch, J.L., and Thaler, R.H (1991), *Anomalies: The endowment effect, loss aversion, and status quo bias, Journal of Economic Perspectives 5*, pp. 193-206.

deteriorations in service but are unwilling to pay higher bills for improvements in a service with which they are already content.

- **Default:** Respondents may not be engaging fully with the survey, and simply defaulting to the status quo option on some attributes. The literature suggests that respondents may do this because they find the task too complex.[53] However, this explanation seems unlikely in this study, because of customers' stated relatively high levels of understanding of the survey choices, as shown above in Section 3.2.3.

- **Leave it to the experts:** it is possible that respondents select the status quo because they do not have a strong view about the attribute in question and assume that the status quo reflects experts' view of the optimal service level. Figure 4.2 provides evidence to support this hypothesis: when asked about factors motivating their decision for each attribute, most customers indicated that they "were happy to leave decisions about the topic to Wessex Water" for each of the non-environmental attributes. This would be consistent with the CCW finding that customers often prefer to leave decisions about technical aspects of water companies' service provision to experts in the water company or the regulator (see Section 2.8.2). Lanz and Provins (2015) also present evidence from a study of English and Welsh water customers to suggest that respondents select the SQ because they are satisfied with current service levels or do not feel directly affected by changes in service attributes.[54]

Figure 4.2: Customers Want to See Improvement in Environmental Attributes but Report being Happy to Leave Decisions on Non-Environmental Attributes to WW



Note: Total respondents = 6,348 as this question was not included in the 'pilot' survey.
Source: NERA analysis of WTP survey data.

[53] Meyerhoff, J. and Liebe, U. (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528.

[54] Lanz, B. and Provins, A. (2015), *Using discrete choice experiments to regulate the provision of water services: do status quo choices reflect preferences? Journal of Regulatory Economics 47,* pp. 300-324

- **Protest:** Respondents may be defaulting to the status quo as a form of "protest". They may object to being asked to pay for certain attributes, or to the idea that those attributes can be valued in monetary terms. Alternatively, they may be mistrustful of water companies and therefore unwilling to agree to either a reduction in service or an increase in bill, as they lack confidence that the change would be implemented as described.[55] We test this explanation in the present study by asking a question on protest attitudes in the survey and estimating WTP on a sample restricted to those who do not exhibit protest attitudes. We find that those who do not exhibit protest attitudes still show a preference for the status quo, so protest attitudes cannot fully explain the status quo preference (see Section 4.2.2.3).

In light of the above discussion, we should be careful in our interpretation of results around the status quo. For example, if observed status quo preferences actually reflect a preference to "leave it to the experts", then it may be appropriate for WW to improve or reduce service somewhat where that is the expert recommendation.

4.2.1.4. Findings from qualitative research on status quo preference

After the main survey was complete, we conducted further qualitative research to assess which of the possible explanations for the status quo preference highlighted in Section 4.2.1.2 (or others) explained customers' choices. We conducted focus groups and in-depth interviews with HH customers who had frequently selected status quo options for attributes in "Area 1: Serving every customer" and had agreed to be contacted for further research. We provide further details on the selection of research participants in Section 2.7.

Overall, the evidence from this follow-up research supports the hypothesis that the observed status quo preference represents a true customer preference over the trade-off between service levels and bill impacts. That is, they do not want to see deteriorations in service, but are not willing to pay for improvements. However, customers offered slightly different explanations for this preference for each of the five service attributes examined.

- For attribute A (reducing lengthy water supply interruption) customers gave a variety of responses. Some did not see a need for improvement, often because they had never experienced a supply interruption. Others were unwilling to pay more for what they viewed as marginal improvements; they expected marginal improvements to be covered by reinvestment of profits. In the context of the regulatory process, this may suggest that customers would prefer to see savings from incremental efficiency gains achieved over time reinvested in the network rather than returned in the form of lower bills. Comments selected by Qa as illustrative of this opinion include *"we pay not just for the water supply, we, well it should be we are paying also for the investment that they need to do" (family, C2DE)* and *"They're paid to provide a service and that includes repairs" (selected no change for all).*

- For attribute B (improving water quality), customers felt that the risk of test failure was already extremely low and it was not necessary to reduce the risk further. Comments selected by Qa as illustrative of customer opinion include: *"You're not going to get it*

[55] See for example Meyerhoff, J. and Liebe, U. (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528 and also Bonnichsen, O. and Ladenburg, J. (2015), *Reducing status quo bias in choice experiments, Nordic Journal of Health Economics 3,* pp. 47-67.

down to zero. And actually, I think water quality is quite good anyway" (VHH, low income); *"I was least interested in this one – doesn't strike me that this needs changing" (Post-family, C2DE)*; and *"there's always going to be some failures and 25 just didn't seem that bad" (pre-family, ABC1).*

- For attribute C (reducing internal and external sewer flooding), Qa found that customers typically had considered the trade-off between the cost and the benefit and decided that they did not want to pay the price of the proposed improvement. Comments selected by Qa as illustrative of customer opinion included: *"it seemed to me like a lot of change in the increase to the bill for not a huge reduction in risk" (family, ABC1); "the amount of money for the improvement just doesn't seem worth it" (post-family, C2DE).*

- For attribute D (helping customers experiencing financial difficulty), customers typically expressed a desire to offer help in genuine cases of difficulty but felt that their own water bill was not the right avenue to provide help. Several customers expressed a preference for donating to charities or having the government provide support to customers in financial difficulty, rather than providing money through the water company. Illustrative comments include: *"There are some genuine cases but I think we all know the benefit system" (VHH, elderly)* and *"Wessex Water is a business, if people can't pay their water bill, that's a government issue" (post-family, C2DE).* Some customers also took the view that, if WW wanted to provide support to customers experiencing financial difficulty, this should come from WW profits rather than customer bills.

- For attribute E, the level of customer service was considered to be very high and therefore no improvement was needed. Comments selected by Qa as illustrative of customer opinion include: *"I personally have had good experience reaching out to them, it was quick, it was good. So it doesn't need to improve too much (pre-family, ABC1)"* and *"I went for option 2 because I think the service is amazing. I've personally haven't had to ring them before. I've done it all through the app" (family, ABC1).*

- For many of these attributes, customers expressed awareness of their overall budget constraint and said they had chosen the status quo for these Area 1 attributes so that they could afford to select improvements for attributes in Area 2 (i.e. environmental attributes). Comments selected by Qa as illustrative of this opinion included *"there were more important ones like to protect the environments. I remember going through and at the end it was £30 more so I decided to change my choices" (family, ABC1, discussing attribute C); "it wasn't a priority to improve it. I think things like environmental issues are far more important than customer satisfaction" (post-family, C2DE, discussing attribute E); "I might even have gone for option 1 on this… because it is so good already that potentially that would help offset some of the other things I'd like them to spend money on" (family, ABC1, discussing attribute E);* and *"I chose no change so that I could use my budget on other things where I felt more committed like cleaning up the rivers" (pre-family, ABC1, discussing attribute A).*

Qa found no evidence to support the hypothesis that customers are defaulting to the status quo because of confusion or lack of understanding. As illustrated by the attribute-specific comments above, customers clearly understood the context and the trade-offs they were asked to make.

We also did not find evidence to support the hypothesis that customers were willing to leave decisions about the service level and amount of investment to WW. This is in contrast to the evidence from the main survey, presented in Figure 4.2, which suggests that a majority of customers were happy to leave decisions to WW. It may be that, faced with limited options in the main survey, customers selected the option that was least dissimilar to their actual views, whereas the focus groups and depth interviews in the qualitative setting offered them the opportunity to express their preferences more precisely.

There is evidence that a minority of customers chose the status quo as a form of protest. Two types of protest attitudes were in evidence, i.e. mistrust that the money would be used as promised, and the view that people should not be expected to pay for water services.

- Illustrative examples of a protest attitude centered on mistrust include: *"I'd like to see some improvement, but I'd like to know that they're doing it before I get charged more" (selected no change for all, discussing attribute A)* and *"I'd rather help people who are struggling with their bills in general in a more targeted way… instead of trusting that if I give Wessex Water some extra money on my bill, but they're actually going to use that for good causes" (family, ABC1, discussing attribute D).*
- Illustrative examples of a protest attitude centered on paying for water services include: *"I'm not sure I should pay for them, and that's partly because I actually don't believe that the water company should be a privately owned company" (VHH, low income)* and *"they're supposed to provide good quality water. If they want us to pay extra for something that they should be doing anyway, they're out their mind" (selected no change for all).*

Although both attitudes were in evidence, as in the main survey, these were minority views and did not explain most of the status quo preference observed. As set out earlier in the section, for the most part, the evidence from this qualitative research phase indicates that the observed status quo preference mostly reflects customers' true preferences and therefore should be fully reflected in our WTP estimates.

4.2.2. Estimated values of WTP for each attribute

4.2.2.1. Simple model with no control variables

We start by running a conditional logit model explaining customers' utility as a function of only the following explanatory variables: the incremental improvement in service, additional utility from the status quo, and the overall cost of each package.[56] We iteratively drop any explanatory variables that we find to be insignificant and re-estimate the model until all variables are significant.[57] The resulting model is the "simple model".

The WTP results for the simple model for the first area of customer priorities ("serving every customer") are reported in Table 4.1. Looking for instance at attribute B ("improving water quality"), the interpretation of the figures shown in the table is as follows.

[56] Under this specification, we consider a c. 0.5 per cent randomly selected subset of the non-selected options (c. 5,000 non-selected options per respondent). We used four different randomly selected samples (four seeds), all of which yielded similar results; the final results reported here are the simple average of those four.

[57] The only explanatory variable found to be insignificant is the incremental improvement in service for attribute A.

- The estimate of 13.74 WTP for service increment on service level 2 (around 25 test failures) means that, on average, customers would be willing to pay £13.74 for an improvement in service from 50 test failures to 25 test failures (or about £0.50 per test failure). Since the current level of test failures is 25, this is equivalent to saying that the customer would need to be compensated £13.74 for a reduction in service from 25 test failures to 50 test failures.
- The estimate of 14.77 WTP for status quo means that, on average, customers place an additional value of £14.77 on the status quo option, because it is the status quo.
- Combining the results for incremental improvement in service and the status quo, we find that customers place more total value (£28.50) on the status quo service level than they do on either a small or large improvement in service (£19.23 and £21.98 respectively). This means that customers would not be willing to accept an increase in their bill in exchange for an improvement in service, because of their strong status quo preference.

The other four attributes within this service area yield similar results: the value customers place on the status quo option, because it is the status quo, outweighs the value they place on incremental improvements in service. As stressed in Section 4.2.1, our follow-up qualitative analysis on customers' motivations for choosing the status quo indicate that these results reflect a true preference for the status quo.

Assessing customers' WTP for environmental outcomes (see Table 4.2), the overall picture is different. Respondents still place additional value on the status quo, but not to such an extent that they would reject an improvement in service.

- Although customers would still prefer the status quo over a small improvement, they would pay up to £28.12 - £22.71 = £5.41 for a large improvement in attribute F (taking water out of rivers and streams). Customers exhibit similar preferences for attributes G and I.

- For attributes H and J, customers prefer both a small improvement and a large improvement in service to the status quo. For attribute H, customers would pay just over £2 for a small improvement in river and coastal water quality, and just under a further £11 for a large improvement in river and coastal water quality.

Overall, the results of this model suggest that while customers appear happy with the status quo service level on attributes within area 1, they want improvements in attributes within area 2.

Table 4.1: WTP Estimates for Attributes in Area 1 "Serving Every Customer" – Simple Model

		WTP to switch from lowest service level (£)		
Attribute	**Service Level**	**WTP for service increment**	**WTP for SQ**	**Combined WTP**
Reducing lengthy water supply interruptions	1-in-40			
	1-in-65	0.00	18.53	18.53
	1-in-80	0.00		0.00
	1-in-220	0.00		0.00
Improving water quality	Around 50 test failures			
	Around 25 test failures	13.74	14.77	28.50
	Around 15 test failures	19.23		19.23
	Around 10 test failures	21.98		21.98
Reducing Internal & External Sewer flooding	External: 1-in-575 properties; Internal: 1-in-7,000 properties			
	External: 1-in-625 properties; Internal: 1-in-7,700 properties	3.24	20.45	23.69
	External: 1-in-700 properties; Internal: 1-in-8,300 properties	6.48		6.48
	External: 1-in-800 properties; Internal: 1-in-9,300 properties	9.72		9.72
Helping customers experiencing financial difficulty	88,000 (7.2% of households)			
	80,000 (6.5% of households)	0.57	15.02	15.60
	68,000 (5.5% of households)	1.43		1.43
	12,000 (1% of households)	5.45		5.45
Improving customer service	Slower response times to phone calls and incidents			
	Current standard of customer service	1.84	32.53	34.38
	Better online access and incident updates	3.69		3.69
	Better online access and incident updates, plus faster response times to incidents	5.53		5.53

Source: NERA analysis of WTP survey data.

Table 4.2: WTP Estimates for Attributes in Area 2 "Protecting and Enhancing the Environment" – Simple Model

		WTP to switch from lowest service level (£)		
Attribute	**Service Level**	**WTP for service increment**	**WTP for SQ**	**Combined WTP**
Taking water out of rivers & streams	Take more water from rivers and streams with some negative environmental impact			
	Maintain current activities	9.37	13.33	22.71
	Improve the way water is taken from rivers and streams to protect some more areas	18.74		18.74
	Significantly improve the way water is taken from rivers and streams to protect some more areas	28.12		28.12
Reducing wastewater pollution incidents	80 incidents			
	70 incidents	9.33	16.30	25.63
	60 incidents	18.66		18.66
	50 incidents	27.99		27.99
Improving river and coastal water quality	45% higher than it should be			
	40% higher than it should be	10.94	19.68	30.61
	30% higher than it should be	32.81		32.81
	25% higher than it should be	43.75		43.75
Achieving net zero carbon emissions	0% (No Reduction)			
	35% Reduction (35 kts)	7.93	11.83	19.76
	65% Reduction (65 kts)	14.74		14.74
	100% Reduction (100 kts)	22.67		22.67
Supporting nature & wildlife	Equivalent of 50 football pitches worth of wetlands and woodlands harmed			
	No change	11.69	10.99	22.68
	Equivalent of 50 football pitches worth of wetlands and woodlands created	23.38		23.38
	Equivalent of 100 football pitches worth of wetlands and woodlands created	35.06		35.06

Source: NERA analysis of WTP survey data.

4.2.2.2. Adjusted model with controls for demographic and billing characteristics

To test the sensitivity of our results to population average values of observable characteristics of respondents, we run a specification which considers the effects of both demographic and billing characteristics on the utility derived from the service levels of each attribute (and hence WTP for those service levels).[58] This is the "adjusted model".

We control simultaneously for the following characteristics on which we have population reference statistics:

- **Demographic characteristics:** gender, socioeconomic status, age, and education level;
- **Billing characteristics:** customers' supply type (i.e. both water and sewerage, water only, sewerage only), tariff type (i.e. whether on a social tariff), meterage, and payment type (i.e. whether they pay via direct debit).

We test all of the above controls as well as the main variables (incremental improvement, status quo, and cost parameters) for statistical significance, and re-estimate the model excluding those variables that we find are not significant. We repeat this process until convergence, i.e. to the point where all variables included in the model are significant.

Table 4.3 shows the directional impact and statistical significance of the controls, based on our final model. We find that demographic controls are more frequently significant than billing controls. WTP differs significantly by all four of gender, education, SEG, and age, whereas tariff type and payment type are insignificant and supply type and meterage are each significant for one attribute only.

The differences by education, age, and supply type are broadly in line with expectations. Individuals with a higher level of education have higher WTP for a number of attributes, likely because individuals with higher education levels typically have more disposable income. Older individuals are more willing to pay to avoid negative service outcomes (supply interruptions and sewer flooding); it is likely that negative service outcomes cause more inconvenience to individuals in the family life stage or the elderly than to younger, pre-family individuals. Water-only customers are less willing to pay to avoid sewer flooding; this result may be driven by customers with septic tanks in rural parts of the Wessex catchment area, who would not benefit from sewer flooding mitigation activities.

Some of the other results have less intuitive explanations. For example, it is not clear why individuals in the ABC1 socioeconomic group or individuals with a metered water supply would have lower incremental WTP for attribute A ("reducing lengthy water supply interruptions") than C2DE customers. It may be the case that customers with metered supply use less water than those with unmetered supply, so would be less impacted by the change. It is also possible that ABC1 customers have more options to mitigate a water supply interruption than C2DE customers, e.g. travel to stay with friends/family, showering at a gym/workplace.

[58] To run this specification, we again use a random sample of non-selected options of c. 0.5 per cent (c. 5,000 non-selected options per respondent). We used four different randomly selected samples (four seeds), all of which yielded similar results; the final results reported here are the simple average of those four.

Table 4.3: Some Demographic Controls are Statistically Significant but Billing Controls are Not

Control	Impact
Gender	Men and women have significantly different preferences for some attributes. Men have higher incremental WTP for attribute F and lower WTP for attributes A, E and J; women do not exhibit incremental WTP for these attributes. Men exhibit a lower status quo preference for attributes D and E.
SEG	ABC1 individuals and retirees have positive incremental WTP for attribute J, which we do not observe among C2DE individuals. ABC1 individuals have lower incremental WTP for attribute A than C2DE individuals. ABC1 individuals also have a stronger status quo preference for attribute D.
Education	In general, more highly educated individuals have significantly higher WTP for some attributes: ▪ Individuals with Level 2 education (GCSE A-C) place higher value on the status quo than those with Level 1 education (GCSE D-G) for attributes E and H; ▪ Individuals with Level 3 education (A-level) have higher incremental WTP for attributes H and J, and place higher value on the status quo for attribute E, than individuals with a Level 1 education. ▪ Individuals with Level 4 or 5 education (tertiary) have higher incremental WTP for attribute J, and place higher value on the status quo for attribute E, than individuals with a Level 1 education.
Age	Age is related to WTP for service attributes only. Older individuals have higher incremental WTP for attributes A and C. For attribute D, they have a stronger status quo preference and lower incremental WTP than younger individuals.
Service provided	Water only customers have lower incremental WTP for attribute C ("reducing internal and external sewer flooding").
Metering	Customers with a metered water supply have lower incremental WTP for attribute A.
Direct debit	Excluded (not significant)
Social tariff	Excluded (not significant)

Source: NERA analysis of WTP survey data

We derive WTP for an average customer in the reference population, rather than the average customer in our sample, by combining the estimated parameters from the adjusted model with population averages of demographic characteristics using the method set out in Section 4.1.4. The WTP estimates from this exercise are shown in Table 4.4 and Table 4.5.

The results from this second specification are qualitatively similar to the results from the simple model. Again, we find no evidence that respondents want to pay for improvements to non-environmental outcomes, but some evidence that respondents would be willing to pay for improvements to environmental outcomes. However, in the adjusted model, we see less WTP overall for improvements to environmental outcomes than we see in the simple model. In the adjusted model, the WTP for improvement outweighs the preference for the status quo only for attribute J ("supporting nature and wildlife").

Quantitatively, the WTP amounts are generally smaller when we estimate them for a customer representative of the population mean characteristics than when we estimate them for the sample with no controls.

Table 4.4: WTP Estimates for Attributes in Area 1 "Serving Every Customer" – Adjusted Model

		WTP to switch from lowest service level (£)		
Attribute	**Service Level**	**WTP for service increment**	**WTP for SQ**	**Combined WTP**
Reducing lengthy water supply interruptions	1-in-40			
	1-in-65	0.00	12.39	12.39
	1-in-80	0.00		0.00
	1-in-220	0.00		0.00
Improving water quality	Around 50 test failures			
	Around 25 test failures	0.00	21.12	21.12
	Around 15 test failures	0.00		0.00
	Around 10 test failures	0.00		0.00
Reducing Internal & External Sewer flooding	External: 1-in-575 properties; Internal: 1-in-7,000 properties			
	External: 1-in-625 properties; Internal: 1-in-7,700 properties	0.00	24.34	24.34
	External: 1-in-700 properties; Internal: 1-in-8,300 properties	0.00		0.00
	External: 1-in-800 properties; Internal: 1-in-9,300 properties	0.00		0.00
Helping customers experiencing financial difficulty	88,000 (7.2% of households)			
	80,000 (6.5% of households)	0.00	16.06	16.06
	68,000 (5.5% of households)	0.00		0.00
	12,000 (1% of households)	0.00		0.00
Improving customer service	Slower response times to phone calls and incidents			
	Current standard of customer service	0.00	36.39	36.39
	Better online access and incident updates	0.00		0.00
	Better online access and incident updates, plus faster response times to incidents	0.00		0.00

Source: NERA analysis of WTP survey data.

Table 4.5: WTP Estimates for Attributes in Area 2 "Protecting and Enhancing the Environment" – Adjusted Model

		WTP to switch from lowest service level (£)		
Attribute	**Service Level**	**WTP for service increment**	**WTP for SQ**	**Combined WTP**
Taking water out of rivers & streams	Take more water from rivers and streams with some negative environmental impact			
	Maintain current activities	2.62	18.33	20.95
	Improve the way water is taken from rivers and streams to protect some more areas	5.23		5.23
	Significantly improve the way water is taken from rivers and streams to protect some more areas	7.85		7.85
Reducing wastewater pollution incidents	80 incidents			
	70 incidents	0.00	19.68	19.68
	60 incidents	0.00		0.00
	50 incidents	0.00		0.00
Improving river and coastal water quality	45% higher than it should be			
	40% higher than it should be	7.93	24.90	32.83
	30% higher than it should be	23.79		23.79
	25% higher than it should be	31.72		31.72
Achieving net zero carbon emissions	0% (No Reduction)			
	35% Reduction (35 kts)	0.00	18.40	18.40
	65% Reduction (65 kts)	0.00		0.00
	100% Reduction (100 kts)	0.00		0.00
Supporting nature & wildlife	Equivalent of 50 football pitches worth of wetlands and woodlands harmed			
	No change	10.86	0.00	10.86
	Equivalent of 50 football pitches worth of wetlands and woodlands created	21.72		21.72
	Equivalent of 100 football pitches worth of wetlands and woodlands created	32.57		32.57

Source: NERA analysis of WTP survey data.

4.2.2.3. Simple model for sample sub-groups

We test a number of variations on the simple model described in Section 4.2.2.1 to examine whether the results change if we restrict the sample to certain sub-groups. We do this for the simple model only because we do not have reference demographic and billing control values within the sub-groups.

Overall, our analysis shows that results are broadly similar across all sub-groups. Respondents across the board exhibit more willingness to pay for improvement in environmental attributes than non-environmental attributes.

This is particularly true of attribute J ("supporting nature and wildlife"): for this attribute, most sub-groups have WTP for a large improvement that exceeds the total value they attach to the status quo, meaning that customers would pay to move from the status quo to a large improvement. The exceptions are those who report that they struggle to pay their water bill and the respondents to the vulnerable customer survey, who would not pay for a large improvement in any attribute.

For other environmental attributes, we see that customers have a WTP for a large improvement that exceeds the total value they attach to the status quo for relatively "advantaged" customers only. This includes customers not on a social tariff, those who have not contacted WW in the past twelve months, those who did not struggle to understand the survey, and those who do not exhibit protest attitudes.

Throughout this exercise, wherever we found variables to be insignificant, we set the value of the parameters on those variables to equal zero when calculating WTP. Further, whenever the estimated WTP for either incremental improvement is negative we set it to equal zero, and we adjust the WTP for the status quo to account for this.[59]

We set out a detailed summary of our findings below. The WTP values estimated from this exercise are available in Appendix B.1.

- **Social tariff:** Social tariff recipients have lower WTP across the board. Considering both WTP for incremental improvement and the additional value placed on the status quo, social tariff recipients are willing to pay for service improvement for one attribute only, attribute J ("supporting nature and wildlife").
- **Service type:** We examine differences by service type (i.e. water only, sewerage only, or dual service). Dual service customers have WTP in line with the simple model. Water only customers and sewerage only customers differ from dual service customers: both groups are willing to pay for service improvement in attributes H and J only (considering both incremental improvement and value placed on the status quo).

[59] It is necessary to adjust the status quo WTP because the unadjusted status quo WTP includes both any positive status quo preference, plus compensation for the negative WTP for the status quo relative to deterioration implied by the negative incremental improvement WTP. To adjust the status quo WTP, we subtract the magnitude of the deterioration implied by the negative incremental improvement WTP. If the result is a negative status quo preference, we assume the status quo preference is equal to zero.

- **Survey version:** We estimate a model that allows the utility derived from the service levels of each attribute (and hence WTP for those service levels) to differ by the formats of the survey.
  - ***Main sample:*** Results are similar to those of the simple model.
  - ***Vulnerable customer survey:*** Vulnerable customers do not report a positive incremental WTP for any attribute but do report a strong status quo preference for most attributes.
  - ***Top-up sample:*** Top-up sample respondents have lower WTP across the board. Considering both WTP for incremental improvement and the additional value placed on the status quo, social tariff recipients are willing to pay for service improvement for one attribute only, attribute J ("supporting nature and wildlife").
  - ***Wessex Panel:*** Respondents in the Wessex Panel generally have generally lower WTP than respondents in the main sample. Wessex Panel respondents only exhibit incremental WTP for environmental attributes and, considering both incremental improvement and value placed on the status quo, are willing to pay for service improvement in attributes H and J only.
- P**revious contact with Wessex Water:** The results from the sample who have *not* previously contacted WW are similar to the results from the simple model. Those who *have* previously contacted WW have lower WTP overall and are willing to pay for service improvement in attributes H and J only (considering both incremental improvement and value placed on the status quo). There is no evidence that customers who have previously contacted WW have higher WTP for service-related, non-environmental attributes.
- **Struggle to pay bill:** Results for respondents who do *not* struggle to pay their bill are in line with results from the simple model with no controls. We find that respondents who *do* struggle to pay have lower WTP than other respondents. They exhibit positive incremental WTP for attributes H and J only, but this is insufficient to overcome their status quo preference.
- **Struggle to understand survey:** Respondents who struggle to understand the survey have lower WTP across the board, and their WTP for improvement exceeds their preference for the status quo for attribute J only. Results for respondents who do not struggle to understand the survey are similar to results from the simple model.
- **Protest:** Finally, we estimate a model that allows for differences in WTP between respondents who hold protest attitudes and other respondents. Again, we find that respondents who hold protest attitudes have significantly lower WTP across the board. Respondents who report a protest attitude that we classify as ideological have combined WTP for improvements in attribute J only (considering both incremental improvement and value placed on the status quo), while respondents who have a protest attitude that we classify as mistrustful have a combined WTP for improvements in attributes H and J only.

4.3. Results for Non-Household Customers

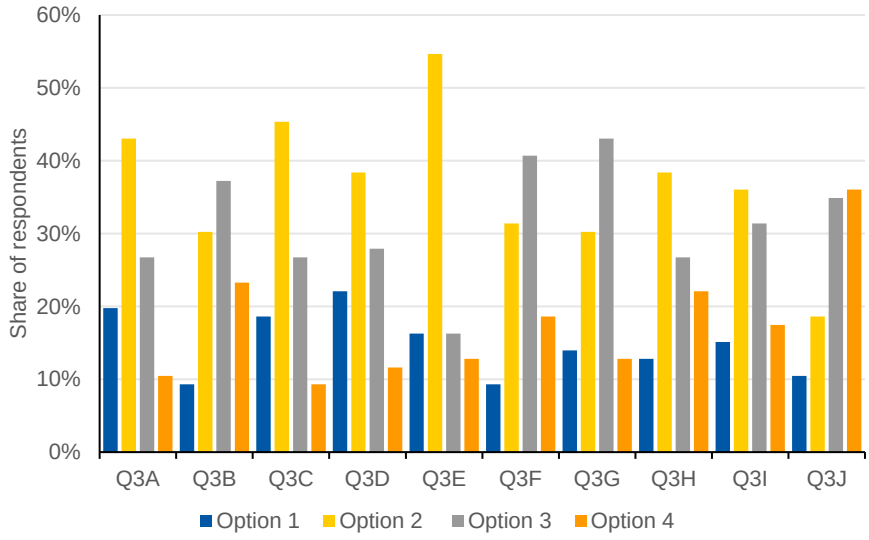
4.3.1. Descriptive statistics on non-household customer choices

Figure 4.3 shows that NHH customers, like HH customers, exhibit a preference for the status quo service level for several of the attributes examined. However, the strength of preference for the status quo is not as strong among NHH customers as it is among HH customers. There is only one attribute for which the status quo preference achieves a clear majority (attribute E, improving customer service), and there are four attributes for which the status quo is not the most preferred option.

Like HH customers, NHH customers would like to see improvements in service levels for environmental attributes (i.e. attributes F to J). When asked about their preferences in the abstract, a plurality of NHH customers indicated that they want to see service improvements, even if their bills increase, for all five environmental attributes (see Figure 4.4). This result is borne out in the stated preference choice exercise, where a plurality of customers selected either a small improvement or a large improvement in service for each of the five environmental attributes.

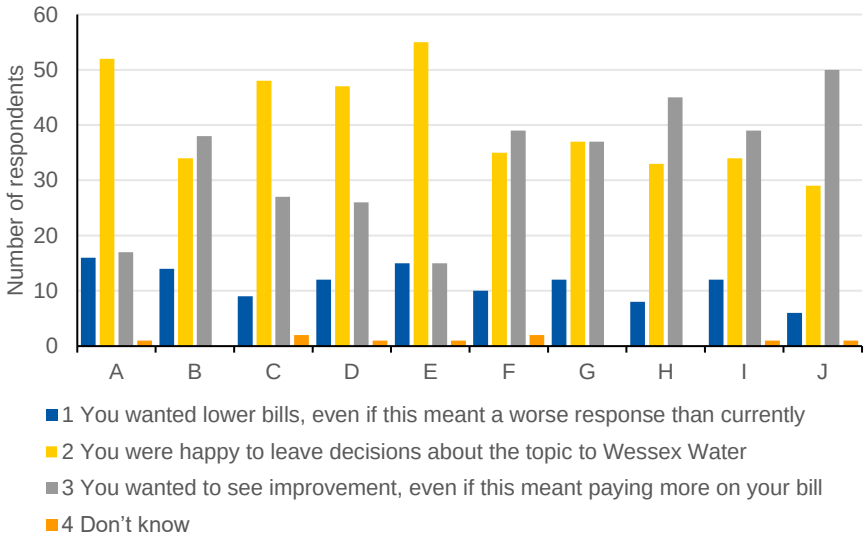
NHH customers also have a clear preference for improvements in service levels for attribute B (improving water quality), as seen from both Figure 4.3 and Figure 4.4. It is not possible to understand from the data we have why NHH customers have a particular preference regarding this attribute. One hypothesis, which could be tested in further qualitative research, is that NHH customers may have a clearer understanding of what it means to fail to meet regulatory standards as they may encounter regulatory standards in their own business activities, and therefore may be more likely to hold a clear opinion on this topic.

Figure 4.3: Most NHH Customers Select Option 2 (Status Quo) for Six Attributes



Source: NERA analysis of WTP survey data.

Figure 4.4: NHH Customers Want to See Improvement in Environmental Attributes but are Happy to Leave Decisions on Most Non-Environmental Attributes to WW



Source: NERA analysis of WTP survey data.

4.3.2. Summary of findings

As for the analysis of household customers data, we start by running a "simple" conditional logit model regressing non-household customers' utility on only their service choices and the cost implications of such choices. However, we are unable to run a "controlled" model where we adjust WTP estimates for observable characteristics of respondents because of the smaller sample size (86 surveys only) compared to the household sample.

Overall, non-domestic customers express similar preferences to domestic ones. For most attributes within area 1, they appear happy with the status quo service level, while for attributes within area 2, they are willing to pay for improvement.

There are some differences between non-domestic and domestic customers. Non-domestic customers are willing to pay for improvement in one non-environmental attribute, attribute B (improving water quality). Non-domestic customers also exhibit less of a preference for the status quo than domestic customers, with significant additional value placed on the status quo for only four attributes (A, C, E, and the environmental attribute H).

4.3.3. Estimated values of WTP for each attribute

4.3.3.1. Simple model with no control variables

There are two main differences in how we estimate the simple model for the non-household sample as compared to the household sample:

- Due to the limited sample size for non-household customers (i.e. 86 surveys), we are able to use a larger number of non-selected options. We use a c. 1 per cent randomly selected subset of the non-selected options (c. 10,000 non selected options per respondent).

- Instead of using the level of the costs associated with respondents' choices, we now explain utility as a function of the cost of respondents' choices relative to their bill size (i.e. in percentage terms). Specifically, we use the cost relative to the bill size after the initial random change in the customer' bill as this better reflects the respondent's perception of their bill size. This alternative specification is required because there is much more variability in non-household bills than in household bills. Non-household and household customers are intrinsically different, and non-household bill sizes (and thus costs associated with changes in service levels for a given attributes) can vary much more within group.

Because of the second point above, the interpretation of the logit coefficients and WTP estimates slightly changes. Looking for instance the first area of customer priorities (see Table 4.6), the interpretation of coefficients for attribute A is as follows.

- The estimate of 2.87 per cent on attribute A's status quo (1-in-65) means that, on average, customers would need to be compensated the equivalent of 2.87 per cent of their current (perceived) bill for a deterioration from 1-in-65 to 1-in-40.

- The estimate of 0.00 per cent on attribute A's WTP for incremental improvement means that customers are not willing to pay for improvements in service for this attribute.

We find similar results for attributes C, D and E. However, in contrast to HH customers, NHH customers are willing to pay a limited amount for incremental improvements in attribute B. Specifically, they would pay, on average, just over an extra 1 per cent on their bill to reduce water quality test failures from 25 to 15 and just over a further 0.5 per cent to reduce failures to 10.

Moving to customers' preferences towards environmental outcomes (see Table 4.7), we find that, like HH customers, non-domestic customers are willing to pay a limited amount for improvements to all environmental outcomes.

Again, the results of this model suggest that while customers appear happy with the status quo service level, they want improvements in attributes within area 2.

Table 4.6: WTP Estimates for Attributes in Area 1 "Serving Every Customer" – NHH Simple Model

		WTP to switch from lowest service level (£)		
Attribute	**Service Level**	**WTP for service increment**	**WTP for SQ**	**Combined WTP**
Reducing lengthy water supply interruptions	1-in-40			
	1-in-65	0.00%	2.87%	2.87%
	1-in-80	0.00%		0.00%
	1-in-220	0.00%		0.00%
Improving water quality	Around 50 test failures			
	Around 25 test failures	3.11%		3.11%
	Around 15 test failures	4.35%		4.35%
	Around 10 test failures	4.98%		4.98%
Reducing Internal & External Sewer flooding	External: 1-in-575 properties; Internal: 1-in-7,000 properties			
	External: 1-in-625 properties; Internal: 1-in-7,700 properties	0.00%	2.93%	2.93%
	External: 1-in-700 properties; Internal: 1-in-8,300 properties	0.00%		0.00%
	External: 1-in-800 properties; Internal: 1-in-9,300 properties	0.00%		0.00%
Helping customers experiencing financial difficulty	88,000 (7.2% of households)			
	80,000 (6.5% of households)	0.00%		0.00%
	68,000 (5.5% of households)	0.00%		0.00%
	12,000 (1% of households)	0.00%		0.00%
Improving customer service	Slower response times to phone calls and incidents			
	Current standard of customer service	0.00%	4.54%	4.54%
	Better online access and incident updates	0.00%		0.00%
	Better online access and incident updates, plus faster response times to incidents	0.00%		0.00%

Source: NERA analysis of WTP survey data.

Table 4.7: WTP Estimates for Attributes in Area 2 "Protecting and Enhancing the Environment" – NHH Simple Model

		WTP to switch from lowest service level (£)		
Attribute	**Service Level**	**WTP for service increment**	**WTP for SQ**	**Combined WTP**
Taking water out of rivers & streams	Take more water from rivers and streams with some negative environmental impact			
	Maintain current activities	1.53%		1.53%
	Improve the way water is taken from rivers and streams to protect some more areas	3.06%		3.06%
	Significantly improve the way water is taken from rivers and streams to protect some more areas	4.59%		4.59%
Reducing wastewater pollution incidents	80 incidents			
	70 incidents	1.33%		1.33%
	60 incidents	2.67%		2.67%
	50 incidents	4.00%		4.00%
Improving river and coastal water quality	45% higher than it should be			
	40% higher than it should be	1.86%	3.05%	4.91%
	30% higher than it should be	5.58%		5.58%
	25% higher than it should be	7.44%		7.44%
Achieving net zero carbon emissions	0% (No Reduction)			
	35% Reduction (35 kts)	1.12%		1.12%
	65% Reduction (65 kts)	2.08%		2.08%
	100% Reduction (100 kts)	3.20%		3.20%
Supporting nature & wildlife	Equivalent of 50 football pitches worth of wetlands and woodlands harmed			
	No change	1.67%		1.67%
	Equivalent of 50 football pitches worth of wetlands and woodlands created	3.34%		3.34%
	Equivalent of 100 football pitches worth of wetlands and woodlands created	5.00%		5.00%

Source: NERA analysis of WTP survey data.

5. Conclusion

5.1. Conclusions on Performance of the Survey

Through this study, we have developed an innovative approach to conducting willingness to pay research, that seems to improve markedly on previous methods by engaging more effectively with respondents.

Specifically, by asking respondents about one attribute at a time and describing the attribute alongside choice exercises, we are likely to have obtained far more meaningful results than from previous methods. This approach also actively engages with customers on the choices WW faces in developing its PR24 business plan, so the context for the questions and respondents' answers accurately reflects the intended use of our results.

In implementing this survey, we have obtained a large sample size of 6,965 responses to the household survey and respondents report a high level of understanding of the survey and choices. Reflecting the large sample size, we have obtained a large number of responses from all the major demographic groups that enables us to adjust our willingness to pay estimates to be reflective of the population.

5.2. Summary of Willingness to Pay Estimates

We summarise our findings on WTP of Wessex Water customers in Table 5.1 and Table 5.2 below. Table 5.1 presents a range of estimates for HH customers' WTP, based on two models: a simple model that reflects WTP for customers in the sample and an adjusted model that adapts the estimates in an effort to make them more representative of the WW customer base. Table 5.2 presents estimates for NHH customers' WTP based on a simple model only, since the available data was insufficient to allow for estimation of an adjusted model.

Table 5.1: Estimates of HH Customer WTP (£/HH/Year, Range)

Attribute		Underlying WTP (-1)*	Underlying WTP (SQ)	Underlying WTP (+1)	Underlying WTP (+2)	Additional SQ Preference
A	Reducing lengthy water supply interruptions		0.00	0.00	0.00	12.39 - 18.53
B	Improving water quality		0.00 - 13.74	0.00 - 19.23	0.00 - 21.98	14.77 - 21.12
C	Reducing internal & external sewer flooding		0.00 - 3.24	0.00 - 6.48	0.00 - 9.72	20.45 - 24.34
D	Helping customers experiencing financial difficulty		0.00 - 0.57	0.00 - 1.43	0.00 - 5.45	15.02 - 16.06
E	Improving customer service		0.00 - 1.84	0.00 - 3.69	0.00 - 5.53	32.53 - 36.39
F	Taking water out of rivers & streams		2.62 - 9.37	5.23 - 18.74	7.85 - 28.12	13.33 - 18.33
G	Reducing wastewater pollution incidents		0.00 - 9.33	0.00 - 18.66	0.00 - 27.99	16.30 - 19.68
H	Improving river and coastal water quality		7.93 - 10.94	23.79 - 32.81	31.72 - 43.75	19.68 - 24.90
I	Achieving net zero carbon emissions		0.00 - 7.93	0.00 - 14.74	0.00 - 22.67	11.83 - 18.40
J	Supporting nature & wildlife		10.86 - 11.69	21.72 - 23.38	32.57 - 35.06	0.00 - 10.99

**Left blank, as all values shown relative to the deterioration option*
Source: NERA analysis of WTP survey data

Table 5.2: Estimates of NHH Customer WTP (% Bill/Customer/Year)

Attribute		Underlying WTP (-1)*	Underlying WTP (SQ)	Underlying WTP (+1)	Underlying WTP (+2)	Additional SQ Preference
A	Reducing lengthy water supply interruptions		0.00%	0.00%	0.00%	2.87%
B	Improving water quality		3.11%	4.35%	4.98%	0.00%
C	Reducing internal & external sewer flooding		0.00%	0.00%	0.00%	2.93%
D	Helping customers experiencing financial difficulty		0.00%	0.00%	0.00%	0.00%
E	Improving customer service		0.00%	0.00%	0.00%	4.54%
F	Taking water out of rivers & streams		1.53%	3.06%	4.59%	0.00%
G	Reducing wastewater pollution incidents		1.33%	2.67%	4.00%	0.00%
H	Improving river and coastal water quality		1.86%	5.58%	7.44%	3.05%
I	Achieving net zero carbon emissions		1.12%	2.08%	3.20%	0.00%
J	Supporting nature & wildlife		1.67%	3.34%	5.00%	0.00%

**Left blank, as all values shown relative to the deterioration option*
Source: NERA analysis of WTP survey data

The results in Table 5.1 and Table 5.2 provide quantitative estimates of customers' willingness to pay for service improvement across 10 service outcomes that WW can influence through its business planning decisions. We can identify some key "themes" from these results. Customers are willing to pay for improvement in environmental attributes, while they tend to prefer the status quo levels of service for more "technical" water industry attributes.

Based on follow-up qualitative research on customers' motivations for selecting the status quo, we conclude that the expressed status quo preference reflects a true preference. Customers understood the trade-offs that they were being asked to make and actively chose the status quo. They gave a variety of explanations for their choices, for example, that the current level of service was sufficient and no improvement was needed, or that they faced a budget constraint and prioritised improvements in environmental attributes over improvements in service attributes.

Phase 2 research may be helpful to provide WW with more precise information about the areas in which customers would like to see WW provide environmental improvements. From the present study, it seems customers' willingness to pay for environmental improvements are focused on biodiversity improvements and supporting nature and wildlife, with less willingness to pay for WW to exceed the rate of carbon emissions reduction required to meet government net zero targets.

We also see for all attributes that customers have a high willingness to pay to avoid a deterioration in service, which suggests a very strong case for maintaining at least the current level of service.

We find that there is variation in WTP across customer sub-groups. For environmental attributes other than attribute J, we see that only relatively "advantaged" groups exhibit WTP

to move from the status quo to a higher service level (where advantaged groups include those with higher levels of education, those not on a social tariff, and those who do not report struggling to pay their bills, among others). On the other hand, relatively "disadvantaged" groups (those who were interviewed through the vulnerable customer survey and those who report that they struggle to pay their bill) are not willing to pay for improvements relative to the status quo for any attribute, including attribute J.

This suggests that – if WW were to improve service for all customers with the costs recovered from all customers – some would be made better off (i.e. would see enhanced "utility") while others would be made worse off (lower utility) as they are not willing to pay for improvements. This finding represents a challenge when selecting the improvements WW should offer as part of its business plan when providing "public goods" from which all customers benefit, especially if all customers are constrained by the tariff structure to pay the same contributions to the costs. This could potentially be addressed through adjusting tariff structures so that the burden of paying the costs for improvements in environmental attributes does not fall on more disadvantaged customers, though separate research and engagement would be required to develop the tariff mechanisms needed to achieve this.

Appendix A. Additional Descriptive Statistics

A.1. Demographic Variables

We summarise below additional information on the demographics of our sample compared to the population.

- **Household size:** 73 per cent of respondents willing to report their household size live in one- or two-person households.
- **Income:** This question saw a higher degree of non-response than other demographic questions, with 24 per cent of respondents opting not to respond to the question. The £0-£40k income bracket has the largest share of respondents at 42 per cent, with only 9 per cent of respondents reporting incomes above £80k. Existing literature on income studies suggests that individuals on either very high or very low incomes are more likely to refuse to respond to income questions than are other individuals.[60]
- **Health:** Most respondents willing to answer health-related questions (67 per cent) do not have a long-term health condition.

[60] See for example Lillard, L., Smith, J.P., Welch, F. (1986) *What do we really know about wages? The importance of nonreporting and census imputation, Journal of Political Economy, 94(3).*

Appendix B. Further Willingness-to-Pay Results

B.1. Models for Sample Sub-Groups

As discussed in Section 4.2.2.3, we estimated a number of variations on the simple model to assess whether the results change if we restrict the sample to certain sub-groups. A summary of the findings from this analysis is available in that section. In Table B.1 to Table B.4 of this Appendix, we present estimated WTP values for each of the sub-groups discussed in Section 4.2.2.3.

Table B.1: WTP Estimates for Attributes in Area 1 – First Subgroups

		Social tariff		Service type			Survey version				
		Recipients	**Non-recipients**	**Water and sewerage**	**Water only**	**Sewerage only**	**Main sample**	**Pilot**	**Vulnerable customers**	**Top-up**	**Wessex Panel**
Reducing lengthy water supply interruptions	Level 1										
	Level 2	0.00	19.24	19.01	19.01	7.51	17.79	10.22	0.00	1.88	6.03
	Level 3	0.00	0.86	1.23	1.23	0.00	0.30	0.00	0.00	0.00	0.00
	Level 4	0.00	1.40	2.01	2.01	0.00	0.49	0.00	0.00	0.00	0.00
Improving water quality	Level 1										
	Level 2	17.02	28.56	27.67	35.77	19.01	27.62	22.14	31.43	16.90	17.16
	Level 3	3.10	19.26	18.54	18.54	6.79	19.47	5.35	0.00	4.46	4.83
	Level 4	3.54	22.01	21.18	21.18	7.76	22.26	6.11	0.00	5.10	5.52
Reducing Internal & External Sewer flooding	Level 1										
	Level 2	16.68	23.73	23.40	16.29	15.42	22.79	18.48	18.56	16.16	20.33
	Level 3	0.00	6.61	6.97	0.00	0.00	6.16	0.00	0.00	0.00	1.25
	Level 4	0.00	9.91	10.46	0.00	0.00	9.24	0.00	0.00	0.00	1.87
Helping customers experiencing financial difficulty	Level 1										
	Level 2	12.64	15.67	15.33	15.33	11.13	14.93	11.84	12.86	6.75	17.31
	Level 3	0.00	1.47	1.32	1.32	0.00	1.73	0.00	0.00	0.00	0.00
	Level 4	0.00	5.58	5.02	5.02	0.00	6.57	0.00	0.00	0.00	0.00
Improving customer service	Level 1										
	Level 2	28.53	34.31	35.26	27.61	23.88	32.65	24.78	21.95	24.21	28.72
	Level 3	0.00	3.63	5.20	0.00	0.00	3.89	0.00	0.00	0.00	0.00
	Level 4	0.00	5.45	7.80	0.00	0.00	5.84	0.00	0.00	0.00	0.00

Source: NERA analysis of WTP survey data.

Table B.2: WTP Estimates for Attributes in Area 2 – First Subgroups

		Social tariff		Service type			Survey version				
		Recipients	**Non-recipients**	**Water and sewerage**	**Water only**	**Sewerage only**	**Main sample**	**Pilot**	**Vulnerable customers**	**Top-up**	**Wessex Panel**
Taking water out of rivers & streams	Level 1										
	Level 2	14.07	22.81	22.43	34.18	17.08	21.80	22.41	19.56	13.67	21.14
	Level 3	1.40	18.88	19.05	19.05	6.68	18.56	7.91	0.00	2.31	8.59
	Level 4	2.10	28.32	28.57	28.57	10.03	27.84	11.87	0.00	3.46	12.88
Reducing wastewater pollution incidents	Level 1										
	Level 2	15.61	25.75	24.63	36.00	18.48	24.44	21.01	16.82	16.48	19.64
	Level 3	0.00	18.91	18.32	18.32	7.24	18.37	11.52	0.00	2.45	8.77
	Level 4	0.00	28.37	27.48	27.48	10.85	27.56	17.27	0.00	3.68	13.15
Improving river and coastal water quality	Level 1										
	Level 2	14.72	30.84	29.59	29.59	21.24	29.52	25.86	16.98	22.57	26.25
	Level 3	6.22	33.16	32.20	32.20	17.43	32.44	21.47	0.00	11.59	22.63
	Level 4	8.29	44.21	42.93	42.93	23.24	43.25	28.62	0.00	15.45	30.17
Achieving net zero carbon emissions	Level 1										
	Level 2	10.18	19.77	19.86	13.55	12.20	19.15	14.31	14.76	13.67	11.42
	Level 3	0.00	14.90	14.48	2.77	2.09	15.15	1.12	0.00	0.00	0.79
	Level 4	0.00	22.92	22.28	4.26	3.22	23.31	1.73	0.00	0.00	1.22
Supporting nature & wildlife	Level 1										
	Level 2	16.63	22.63	23.36	32.78	18.17	21.53	21.53	23.82	21.53	21.53
	Level 3	11.42	23.42	23.34	42.19	21.96	22.83	22.83	0.00	22.83	22.83
	Level 4	17.13	35.14	35.02	63.28	32.94	34.24	34.24	0.00	34.24	34.24

Source: NERA analysis of WTP survey data

Table B.3: WTP Estimates for Attributes in Area 1 – Second Subgroups

		Previous contact WW		Struggle to pay bill		Struggle to understand survey		Protest attitudes		
		Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Ideological**	**Mistrust**	**No**
Reducing lengthy water supply interruptions	Level 1									
	Level 2	7.64	17.89	0.00	21.08	0.00	19.30	0.00	11.80	19.68
	Level 3	0.00	0.00	0.00	2.78	0.00	1.75	0.00	0.00	3.51
	Level 4	0.00	0.00	0.00	4.55	0.00	2.86	0.00	0.00	5.74
Improving water quality	Level 1									
	Level 2	16.23	27.39	7.92	32.32	19.66	28.39	17.95	25.59	31.30
	Level 3	7.44	18.38	0.00	23.83	2.98	19.89	3.68	11.23	24.35
	Level 4	8.51	21.01	0.00	27.23	3.40	22.73	4.21	12.84	27.83
Reducing Internal & External Sewer flooding	Level 1									
	Level 2	15.12	22.58	5.82	25.68	16.97	23.52	15.90	19.47	24.35
	Level 3	1.06	5.75	0.00	8.91	0.00	7.33	0.00	0.00	9.65
	Level 4	1.59	8.63	0.00	13.37	0.00	10.99	0.00	0.00	14.48
Helping customers experiencing financial difficulty	Level 1									
	Level 2	10.14	15.06	4.51	16.53	12.80	15.48	12.24	10.43	15.81
	Level 3	0.00	1.57	0.00	2.08	0.00	1.85	0.00	0.00	2.57
	Level 4	0.00	5.96	0.00	7.90	0.00	7.02	0.00	0.00	9.75
Improving customer service	Level 1									
	Level 2	21.67	32.21	10.94	37.59	22.19	34.42	26.16	29.80	36.34
	Level 3	0.00	3.15	0.00	6.79	0.00	4.80	0.00	0.00	8.47
	Level 4	0.00	4.73	0.00	10.19	0.00	7.19	0.00	0.00	12.71

Source: NERA analysis of WTP survey data.

Table B.4: WTP Estimates for Attributes in Area 2 – Second Subgroups

		Previous contact WW		Struggle to pay bill		Struggle to understand survey		Protest attitudes		
		Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Ideological**	**Mistrust**	**No**
Taking water out of rivers & streams	Level 1									
	Level 2	13.78	22.64	7.57	24.11	17.93	22.34	19.47	17.92	22.18
	Level 3	7.64	18.39	0.00	21.17	3.74	19.24	4.92	12.09	20.60
	Level 4	11.46	27.58	0.00	31.75	5.61	28.86	7.39	18.13	30.90
Reducing wastewater pollution incidents	Level 1									
	Level 2	15.37	24.47	8.57	27.52	16.63	25.26	16.40	21.57	25.45
	Level 3	7.77	17.94	0.00	21.37	2.23	19.49	2.87	13.21	20.96
	Level 4	11.66	26.90	0.00	32.06	3.35	29.24	4.30	19.81	31.45
Improving river and coastal water quality	Level 1									
	Level 2	17.74	30.67	11.04	33.93	22.41	30.67	24.94	22.54	31.06
	Level 3	17.74	32.33	4.44	37.07	11.08	33.82	17.63	22.83	35.98
	Level 4	23.65	43.10	5.92	49.43	14.78	45.10	23.50	30.45	47.97
Achieving net zero carbon emissions	Level 1									
	Level 2	12.47	18.34	4.90	21.76	14.89	19.45	11.61	15.79	20.82
	Level 3	4.15	14.00	0.00	17.53	0.00	15.43	0.00	7.15	17.99
	Level 4	6.38	21.53	0.00	26.97	0.00	23.74	0.00	11.01	27.68
Supporting nature & wildlife	Level 1									
	Level 2	16.17	22.78	9.64	24.57	19.13	22.02	20.66	19.60	22.19
	Level 3	19.65	22.91	5.58	26.54	18.01	23.79	16.16	20.35	25.54
	Level 4	29.47	34.37	8.37	39.82	27.02	35.69	24.23	30.53	38.31

Source: NERA analysis of WTP survey data.

Appendix C. List of Attachments: Findings from Qualitative Research, Cognitive Interviews, and Pilot Survey

C.1. Report on Pre-Survey Qualitative Research

See attachment.

C.2. Report on Cognitive Interviews

See attachment.

C.3. Report on Pilot Survey

See attachment.

C.4. Report on Post-Survey Qualitative Research on Status Quo

See attachment.

Appendix D. List of Attachments: Survey Invitation and Instruments

D.1. Email Invitation to Participate in Survey

See attachment.

D.2. Letter from Wessex Water to Accompany Survey Invitation

See attachment.

D.3. Survey of Household Customers

See attachment.

D.4. Survey of Non-Household Customers

See attachment.

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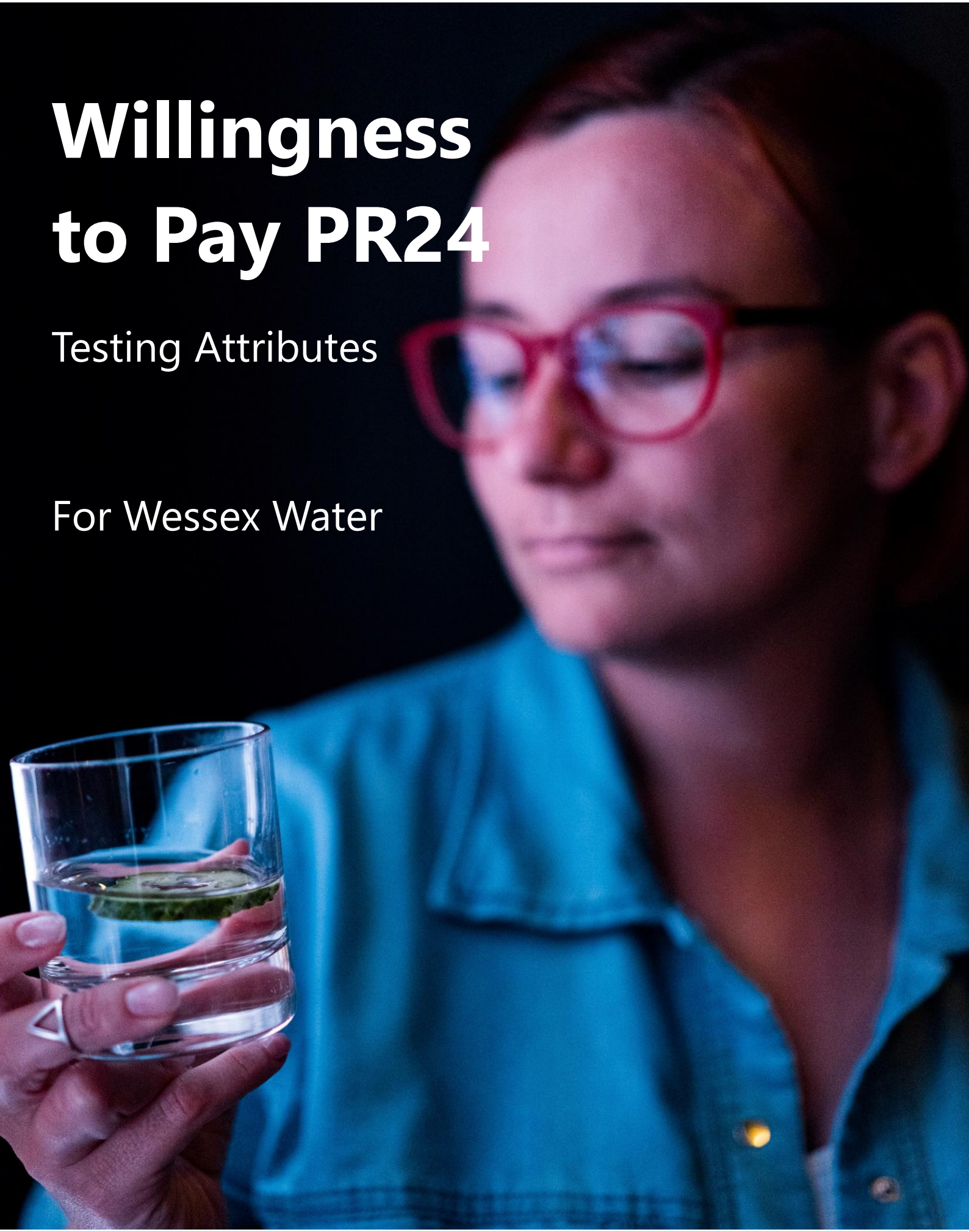
Willingness to Pay PR24

Testing Attributes

For Wessex Water



Qa Research
January 2022

MRS Evidence Matters™ Company Partner

Contents

1. Introduction

This document produced by Qa Research provides the outcomes of qualitative research undertaken with household and non-household customers to inform the development of a Willingness to Pay (WTP) survey for the PR24 business plan.

The aim of this report is to provide advice and direction to Wessex Water and NERA, the economic consultancy responsible for calculating the valuations resulting from the WTP survey, and Qa Research's quantitative survey developers, to help ensure the wording of the proposed attributes and associated service level metrics are written in to the WTP survey in a way that customers will be able to understand and provide a valid opinion on.

2. Aims & Objectives

The aim of the qualitative research exercise was to:

'Test customers' levels of understanding and suggested areas for improvement with regards to the phrasing of a series of attributes and associated service level descriptions to use in a quantitative Willingness to Pay survey''

3. Methodology & sample

Insight from general household and non-household customers was collected via qualitative co-development workshops, each lasting 3 hours, using the zoom video platform.

Vulnerable household customer insight was collected via one-to-one in-depth interviews using either the zoom video platform or a telephone interview, depending on the access to technology available to the participants. Each interview lasting for an hour.

All participants were Wessex Water customers.

Respondents were recruited from across the Wessex Water region covering city, town, rural and coastal locations.

The sample comprised:

- 3 x 3 hour co-development workshop discussions with General Household Customers split by lifestage and social grade:
    - 1 x pre-family lifestage, all aged 18-30, ABC1 social grade
    - 1 x family lifestage, mix of ages of children, C2DE social grade
    - 1 x post family lifestage, C2DE social grade

- 2 x 3 hour workshop group discussions with Non-Household Customers split:
    - Business customers based in a city or town, mix of size & sector, all to have business premise separate to their own home
    - Business customers based in a rural, small town or rural coastal location mix of size & sector, all to have business premise separate to their own home

- 12 x individual depth interviews with vulnerable customers, split:
    - 4 x long term health condition (including disability)
    - 4 x very low income (e.g. dependent on benefits, are in or have experienced water debt)
    - 4 x elderly aged 75+ living alone

    - Across the 12 depth interviews 5 were digitally excluded i.e. they had very limited or no access to the internet for whatever reason.

Recruitment was organised by Qa Research's fieldwork management team.

Fieldwork took place between 19th – 26th January 2022.

Tools used to gauge customer opinion

In order to gauge customers level of understanding of the attributes and service levels and to allow them to suggest amendments / improvements to make them easier to comprehend, Qa produced a series of showcards to describe each attribute.

An A and a B version of the same attribute were shown, with each version trying to communicate the same thing but using different words and numeric examples.

Each description comprised:

- A title
- An outline of the issue

- The current situation
- And what could change with more investment

Participants were asked to review each version to explore if the words made sense and how best to explain each area to customers. The ultimate goal being to make each description as customer friendly and clearly understandable as possible.

The key findings of this report show each of the showcards (the A & B version for each of the 10 attributes tested) presented to participants along with analysis of how each was received by customers and a recommended revised version that could be applied in the WTP survey.

4. Key findings: attribute descriptions

We start by providing a set of core principles and lessons learnt that could be considered when developing attribute descriptions for the Willingness to Pay survey.

Following this we provide further analysis of views towards each of the stimulus material that were presented to participants.

Following the analysis of each attribute we then provide a recommendation, which is our suggested rephrasing of the attribute for use in the quantitative survey.

4.1 Core principles and lessons learnt

Here we provide a summary of principles that emerged from all of the qualitative research exercises.

It is important to note that across the study there was very little difference in opinion amongst those recruited in the qualitative research – household, non-household and vulnerable customers.

Any differences in levels of comprehension regarding the attributes and service levels presented were only noted at an individual customer level rather than due to the fact they represented a business or were vulnerable in some way.

Although we explained the research was to test comprehension and amend or edit various descriptions, for attributes which resonate strongly with individuals it was a challenge for them not to immediately express an opinion about the actions being proposed. Therefore, attributes that they have either experienced or have a strong

feeling about (e.g. the environment, perceived lack of Wessex Water not keeping up with ongoing repairs to pipes and sewers, funding those who struggle to pay) are aspects they may make quick knee-jerk decisions over, without always digesting the text in full.

Keep descriptions succinct

Descriptions that used fewer words were preferred. Anything that was perceived as 'too long' or 'wordy' made it harder for customers to digest the meaning or sentiment of the description

Any descriptions which are too wordy are likely to be 'skim read', so more text does not equate to the reader having a greater understanding of the issue.

Although on a small number of occasions, where descriptions had been cut more drastically, they could sometimes lose the meaning or appear too blunt.

Examples to convey what any additional investment would pay for was liked and often requested if missing. Examples provided a sense of the types of activities that will actually happen if more money was available. There is a balance to be struck with the number of examples, but having something definite and showing what will be done with 'my money' made it much easier for participants to make a choice.

Any technical phrases can cause confusion or be seen as 'internal' or 'corporate' language, so it is important to think of alternative or layman terms wherever possible.

The use of numbers

Anything that requires a lot of mental processing should be avoided; this could be processing several numbers in a description or being introduced to new areas to think about which they have never previously thought about or knew the water company was involved in.

Different numeric ways of expressing the likelihood or risk of something happening have a considerable impact on perceptions of it happening – very small percentages (e.g. 0.013%) are perceived to be much less likely to happen than if it is 1 in 7,700 properties, as the latter figure is one than most can envisage. Ratios feel more relatable to actual people being impacted than percentages, which for many are 'colder' and more remote. Therefore, the choice of how the numbers are expressed is likely to cause differences with regards to perception of the issue.

Where possible, round figures up as much as is feasible. For example, if using percentages, one decimal place should be the limit.

Understanding why being asked to pay more

Some attributes were viewed as activities and actions customers would expect any water company to do, which outside of testing comprehension of the wording, led to a discussion about why this wasn't being done anyway.

It is much easier to make a decision if the actions described are clearly viewed as an extra in addition to the basic service they would expect. For many, high levels of customer service, not damaging the environment, reducing issues with pipes are all expected, so they struggled to comprehend the additionality they were being asked to pay for.

It was clearly easier for participants to make a decision if they perceive any additional investment will make a definite positive change but first they need to see the issue as a problem that needs solving; some of the attributes (e.g. customer service) were viewed an aspiration or stated goal Wessex Water may have but they struggled to comprehend the issue as one that was relevant for customers.

Along similar lines, attributes where the risk appeared small or the changes were likely to be small, generated confusion as to why customers were being asked to make a decision about doing more on this.

The value of consistency

To aid the mental processing a consistent format should be adopted for all the attribute descriptions; with a similar style of title - be this neutral or an aspiration, the issue should convey what the problem is, the current situation focus on giving the metrics of what is happening now, and any change if customers were willing to pay more should convey what any tangible change would be, with a few examples to support.

4.2 Comprehension of the Attributes

For each of the 10 Attributes tested - two descriptions were shown to customers:

We have highlighted words or phrases in red which participants struggled to comprehend or caused confusion.

Aspects highlighted in green were elements they deemed positive or useful in helping them understand the descriptions.

Aspects shown in purple were the words or phrases where opinions were very mixed.

Underneath each version A & B, we have summarised the key reactions and feedback, before providing a suggested revised version C.

Attribute 1 – Reliable water supply

Version A - 1

Providing a reliable water supply

The issue: Every year some customers will experience a supply interruption.

Current situation: The average length of time lost per customer is 6 minutes and 10 seconds for interruptions that last over three hours.

What could change: More investment for example in using technology to identify water bursts, repairing bursts more quickly and undertaking more ongoing maintenance work would reduce the average duration per customer of any interruption to the water supply.

Analysis:

- On initial read the phrase 'reliable' was seen as easy to comprehend but when probed some related this to any sort of supply issue including low pressure, discoloured or chalky water, limescale or for some the taste of their water … the word reliable was quite subjective and failed to communicate the actual issue being described.
- Time lost might be how a water company measures any interruption but from a customers' perspective the focus was on how long they or anyone else would be without water.

- The use of two numbers was confusing, several participants revealed a lack of understanding by commenting that hardly anyone would notice having no water for 6 minutes. Others asked why it is measured only after 3 hours.
- The way the metric is expressed required the reader to do a lot of mental maths, with many getting the wrong answer.
- How the average time is expressed was not seen to convey if it was a significant problem which needs resolving or what the chances are of an interruption happening to them – an average across all Wessex Water customers, for which they suspect amount to millions, was seen to deliberately hide how many experience a really significant interruption.
- The examples gave a clear idea of what could be improved with more money and helped to clarify what a supply interruption is, although if asking for more funding, the examples which were deemed relevant were those showing what could be done in addition to what customers would expect anyway (ongoing maintenance is an expectation not additionality!)
- Reducing the average duration per customer maybe how a water company measures the impact but what was important for customers was reducing the chance of it happening to them.

Version B - 1

Reducing the chance of a lengthy water supply interruption

The issue: Every year a certain number of households in the Wessex Water region experience their water supply being cut-off for more than 3 hours due to planned or unplanned maintenance work such as repairing burst pipes.

Current situation: The chances of your water supply being cut-off for more than 3 hours at a time in any one year is 1.578% or 1 in 65 properties.

What could change: More investment would reduce the chances of any lengthy interruptions happening.

Analysis:

- The word 'chance' in the title was disliked as it suggested any actions might not have a definite impact.
- Cut-off had less ambiguity than a supply interruption.
- The issue was more clear cut as only one number needed to be digested.

- The percentage chance was considered very small and unlikely to happen, whereas the ratio sounded more likely to occur – this may have impacted on how participants answer the quant survey.
- Any percentage with three decimal places was not needed, one at most was felt to be suitable. Customers do not need the numbers to be absolutely precise.
- A ratio was easier for most to perceive the risk and to view the issue in terms of the chances of it happening to them; it was more relatable in a personal sense.
- After seeing the A version with a few examples given, this was preferred to give a sense of what any money would fund.

Suggested revised version

Reducing lengthy water supply interruptions

The issue: Every year some customers experience their water supply being cut-off for more than 3 hours due to planned or unplanned maintenance work such as repairing burst pipes.

Current situation: Every year 1 in 65 properties experience their water supply being cut-off for more than 3 hours.

What could change: More investment, such as using technology to identify water bursts and repairing bursts more quickly would reduce the number of properties that experience this.

Attribute 2 – Safe water supply

Version A - 2

Improving water quality

The issue: Occasionally the quality of water does not achieve the standards set.

Current situation: Wessex Water has a comprehensive water quality monitoring programme including at treatment works, reservoirs, and customer taps to make sure it is wholesome, safe, and compliant with the standards set down by the Water Supply (water quality) Regulations.

The score is calculated based on the significance, cause, and the number of customers affected. Over the course of the year these individual incident scores are then added together to give a total score for the year. The average annual score for Wessex Water was 1.12 (compared to an industry average of 2.41, best of 0.1, and a worst of 7.11 in 2020).

What could change: Investing more will increase resilience in this area, reducing the risk of future failures.

Analysis:

- Water quality was expected to be good so again for some, the reference to improving this in the title made them think about limescale or taste rather than what was actually being asked about.
- Many were surprised by the text as they were learning a lot of new information – there was too much technical information to digest, which got in the way of making a decision whether to pay more – for what?
- Not meeting current standards was a concern and worry – is water dangerous?
- The metric used was meaningless to customers – despite being shown various numbers, no-one knew if this should be seen as ok or a concern?
- Making sure the water customers use and consume is wholesome, safe and compliant was a basic expectation – so there was concern over why customers were being asked to pay more for achieving this.
- The word resilience, although understood in terms of a person being resilient to challenges faced, was not so clear when related to drinking water.

Version B - 2

Water quality

The issue: To ensure the water we supply every day meets the quality standards set by the Water Supply Regulations.

Current situation: Wessex Water regularly tests the water quality. Out of the circa 29,000 tests carried out per year, around 25 tests fail, with over 50% of the failures due to domestic plumbing and service pipe issues rather than Wessex Water.

What could change: Investing more will mean reducing the likelihood of future failures.

Analysis:

- The words used in the issue were understood but raised questions; meeting the standards is an expected part of what Wessex Water (WW) should be doing anyway.
- When reviewing the current situation, given the very small numbers, the issue does not appear to be so serious.
- The numbers used required a degree of mental processing with many questioning the relevance of mentioning failures due to customers – for some this felt like WW shifting the blame.
- If 50% of the issue is nothing to do with WW why does anyone need to know this?
- The word circa was not one in common parlance.
- The different focus in version A and B made it hard to compare or see them as describing the same thing.
- In both versions many struggled to comprehend if this is a problem and then what would they be getting if they paid more.
- Given there are so few cases (i.e. 12-13 a year) several participants asked why can't WW just tackle this without needing extra money.
- The small numbers in the metrics impacted on any willingness to pay unless a clear improvement or change can be communicated.

Suggested revised version

Improving water quality

The issue: Occasionally the quality of water in the region does not achieve the standards set by the Water Supply Regulations.

Current situation: Of the 29,000 water quality tests carried out per year, around 12 fail.

What could change: Investing more such as ???? will reduce the number of future failures.

Attribute 3 – An effective sewerage system

Version A - 3

An effective sewerage system

The issue: Some customers experience internal and/or external sewage flooding, which can be distressing for them and harmful to the environment.

Current situation: Around 170 residential and non-residential properties each year experience an internal flooding incident – defined as the escape of water from the sewerage system which enters a building or passes below a suspended floor, ranging from a high level in a toilet to raw sewage in a living room. Just over 2,000 properties experienced external flooding, defined as flooding within the grounds of a property.

What could change: Investing more in extra sewerage capacity, using technology to identify and respond to issues more quickly and working with customers to reduce sewer blockages will reduce the impact of sewage flooding.

Analysis:

- An effective sewerage system was considered to be a basic function of a water company.
- There was a need to explain internal / external sewerage flooding to help clarify, but in much more simple terms which could be easily grasped without too much mental processing.
- The first number suggested this was a relatively small problem – with the number for 'external' generally being lost in the volume of text before this.

- Questions were asked if this was everywhere or in the WW area – it may be useful to clarify.
- Examples which focus on what could be done above and beyond (e.g. having sufficient capacity is expected) will help customers decide – indeed some wanted a tangible measure such as reducing these numbers by x.

Version B - 3

Internal & External Sewer flooding

The issue: Every year some customers experience sewage flooding on or in their property.

Current situation: Around 0.013% (1 in 7,700) of properties each year experience an internal flooding incident – defined as the escape of water from the sewerage system which enters a building, and 0.16% (1 in 625) of properties experience external flooding – sewage outside the home but within the boundary of their property such as the garden.

What could change: Investing more in infrastructure, technology and education will help reduce the impact of internal or external sewage flooding.

Analysis:

- The title related to the actual issue but is neutral rather than communicating the impact of any actions.
- The ratios made the issue appear more real and more likely to happen than the percentages.
- They did not come across as being the same, so having both required additional mental processing.
- Although some liked the shortness of the description, others wanted more tangible evidence of what extra money would achieve before they could decide if what they were being asked to pay for is really something extra or what they felt a water company should be doing anyway.

Suggested revised version

Reducing incidents of Internal & External Sewer flooding

The issue: Every year some customers experience sewage flooding which can be internal (inside their properties) and/or external (in their gardens or on their property).

Current situation: Each year around 1 in 7,700 properties experience an internal flooding incident and 1 in 625 experience external flooding.

What could change: Investing more in activities such as technology to respond to issues more quickly, and working with customers to prevent sewer blockages, will reduce the number of incidents.

Attribute 4 – Affordable bills

Version A - 4

Affordable bills

The issue: For some customers the cost of their water bill accounts for more than 5% of their disposable income, after housing costs, which can mean it is a struggle to afford the bill.

Current situation: It is estimated that around 80,000 customers currently spend more than 5% of their disposable income on their water bill.

What could change: More investment would mean Wessex Water could provide water saving advice and financial support to customers who are spending more than 5% of their income, after housing costs, on their water bill. This will be subsidised by other customers each paying a little more.

Analysis:

- From the title they expected the description to talk about cheaper bills.
- For most this was the first time they had been told about cross- subsidy – the sentence generated many strong reactions. Is it necessary if the survey will go on to ask if customers are willing to pay a bit more to help those who are struggling?

- The references to 5% of disposable income and after housing costs required a considerable degree of mental processing to work out who this might apply to.
- For many, disposable income was what is left after all bills are paid – not just housing costs. Therefore, the water bill might make up 5% of wuite a few people's disposable income, given many have very little money left after paying bill and general food costs.
- Most could believe a large number of people are struggling in the current climate, with an expectation that this will increase. Some asked for clarity, whether this was in the region or in the UK.
- Using a number such as 80,000 made the issue feel more human as it conjured up how many real people are in difficulty.

Version B - 4

Helping financially vulnerable customers

The issue: Due to financial hardship some customers struggle to pay their water bill.

Current situation: Around 6.5% of customers currently struggle to pay their water bill.

What could change: Investing more would mean more customers experiencing financial hardship and challenges in paying their water bill could be helped through water saving advice and financial support.

Analysis:

- There were mixed reactions to the word 'vulnerable' and what type of person this conjured up.
- The issue as described was clearly recognisable without the need for any further description or qualification.
- The percentage figure was viewed as quite high. It also distanced readers from thinking how many actual people this was.
- If using a % it may be useful to add in how many customers live in the Wessex water region, so readers have more sense of the scale of the issue.
- The reference to water saving advice (which many felt was already a given anyway) made some question why they should pay for people who are careless with their water.
- It was not overtly clear if customers were willing to pay more, what impact this would have on those in hardship – if financial support was budgeting plans or advice, many felt this was rather superficial.

Suggested revised version

Helping customers experiencing financial difficulty

The issue: Due to financial hardship some customers struggle to pay their water bill.

Current situation: It is estimated that around 80,000 (around 6.5%) of customers in the Wessex Water region currently struggle to pay their water bill.

What could change: Investing more would mean those struggling to pay their water bill could be helped through water saving advice and discounted bills.

Attribute 5 – Great customer experience

Version A - 5

Great Customer Experience

The issue: To ensure customer satisfaction with the service provided by Wessex Water is high.

Current situation: Wessex Water is currently rated the top water & sewerage company in England and Wales.

What could change: Greater investment in staff training, new technology and community engagement will help further increase levels of customer experience and ensure all customers, whatever the situation, can access and use our services when they need them.

Analysis:

- The description was easy to understand.
- But the title and issue were seen as a corporate intention and not a problem for customers.
- As WW are already the best it was difficult for participants to understand what they were being asked to make a decision on.
- Any public facing organisation is expected to provide good customer service and invest some of their profits in staff training and new technology.
- In this format it is unlikely that many will see a need to invest more.

Version B - 5

Increasing customer satisfaction

The issue: To provide excellent levels of customer service.

Current situation: Wessex Water is currently rated the top out of 11 water & sewerage companies in England and Wales in terms of customer satisfaction.

What could change: Investing more will help Wessex Water provide even higher levels of customer service.

Analysis:

- The question raised again was, what is the issue or problem?
- Putting the top rating into context was liked.
- Having been told WW is rated top, and with very little direct interaction with the company, participants struggled to know what improvements would be made if they paid more – the impact described was too vague and general to help make any decision.

Suggested revised version

Improving customer service

The issue: To provide excellent levels of customer service.

Current situation: For customer satisfaction Wessex Water is currently rated top out of 11 water & sewerage companies in England and Wales.

What could change: Greater investment would improve staff training and new technology to ensure all customers can access our services when they need them.

Attribute 6 – Sustainable abstraction

Version A - 6

Sustainable abstraction

The issue: To achieve a balance between abstracting water from rivers and streams to provide for customers' water needs, whilst doing this in an environmentally sustainable way to also protect the environment.

Current situation: The parameters under which Wessex Water can abstract water is determined by the Environment Agency - over time, customer demand increases and we have to hand back licences, or portions of licences, for example, to maintain the river flows.

The Environment Agency determines how much water we can abstract without adversely impacting the environment and other technical requirements. Our licence compliance is 97.6%, excluding technical breaches. Over time, we have to hand back licences, or portions of licence, to maintain the river flows and improve the environment.

What could change: Further investment in areas such as water efficiency, metering, leakage reduction, and new water sources to allow us to meet increasing demand alongside licence reductions to support the environment.

Analysis:

- Although sustainable was a word some found positive the reference to abstraction or the two together didn't mean anything to the general public – it was deemed an internal industry term.
- There was so much new information to digest before being able to make a decision. Not everyone knew or realised that some water is taken from rivers rather than all coming from reservoirs.
- The description includes lots of technical terms which were not easy to understand.
- Many did not understand the references to licences (for what) or what a compliance of 97.6% meant … is this good or a problem that needs addressing?
- The length of the description and the technical nature of it made readers more inclined to skip over and/or not understand what was being said.

Version B - 6

Taking water out of rivers & streams

The issue: To achieve a balance between taking water out of rivers and streams to provide water for customers, whilst doing this in a way to also protect the natural environment.

Current situation: The amount of water and where it can be taken from is licenced by the Environment Agency. We are currently 97.6% compliant with these licences.

What could change: Greater investment in working with customers to reduce water consumption at home and in the workplace e.g. metering, water efficiency, and water re-use, whilst also reducing leakage and creating new water sources, would result in less water needing to be taken from rivers and streams.

Analysis:

- B in comparison to A was a relief and hence preferred.
- The title conveyed what the issue was, even if some did not know this goes on.
- However, the current situation was meaningless to the general public. It was not clear if the Environment Agency allows this to happen or if the current situation was a problem or not.
- Examples need to be understandable – reducing leakages and being more water efficient was easy to grasp, whereas creating new water sources was not.

Suggested revised version

Taking water out of rivers & streams

The issue: To achieve a balance between taking water out of rivers and streams to provide water for customers, whilst doing this in a way to also protect the natural environment.

Current situation: The amount of water that we currently take from rivers and streams in the region is xxx litres per year.

What could change: Greater investment in working with customers to reduce water use and Wessex Water preventing leakages would result in less water taken from rivers and streams.

Attribute 7 part 1 – Good environmental water quality

Version A - 7

Wastewater pollution

The issue: The environment is affected by a small number of wastewater pollution incidents a year.

Current situation: There were 4 serious or significant wastewater pollution incidents last year and 83 minor ones.

What could change: More investment could be made in educating customers, including businesses, about what not to put down the drain, with more proactive surveying and monitoring of the sewers to identify and rectify problems. There could also be an increase in maintenance and repair of sewers identified as high risk of causing problems. All of which would reduce the risk of wastewater pollution incidents happening.

Analysis:

- There was a mixed level of comprehension regarding the term 'wastewater' but the title made the attribute sound serious and something to potentially address.
- The reference to pollution was not always clear – pollution of what, is this in people's homes or elsewhere?
- The terms 'serious', 'significant' and 'minor' raised lots of questions – they did not mean anything to the general public.
- Is minor worth bothering about? For many the word suggested that 83 incidents were really not much of a problem.
- Is serious based on the scale, length, impact (i.e. making people ill) or something else?
- Only 4 big incidents suggested the risk was low and the challenge should be relatively easy for WW to tackle, so many were left wondering why paying more would make any significant change.
- There is a lot of detail but this caused confusion rather than adding clarity.
- Asking people to pay more but saying this *could* do x, y or z was considered too vague. Participants wanted a clearer and more definite sense of what any extra money would be used for and what it would achieve.

Version B - 7

Pollution incidents

The issue: A small number pollution incidents occur each year.

Current situation: Each year there are just under 100 pollution incidents in the Wessex Water area.

What could change: Greater investment in areas such as educating customers about what to and not to put down the drain, along with more maintenance, repair and monitoring of sewers, will reduce the number of these incidents.

Analysis:

- Pollution incidents is too vague – the automatic association was with air pollution and then water pollution from sewerage outflows.
- Both titles A & B are neutral descriptions rather than action orientated – consistency is required across all the attributes.
- 100 sounded higher and more of an issue than 4 major incidents but given the more precise numeric details used in other descriptions, the reference to just under was deemed rather vague.
- Some desired a tangible target of how many incidents would be reduced by, although this may be given in the willingness to pay choices.

Suggested revised version

Reducing wastewater pollution incidents

The issue: The environment is affected by a small number of wastewater pollution incidents in the region each year such as sewage entering rivers.

Current situation: Each year there are around 100 wastewater pollution incidents in the region.

What could change: Greater investment in areas such as educating customers about what to and not to put down the drain, along with more maintenance, repair and monitoring of sewers, will reduce the number of these incidents.

Attribute 7 part 2 – Good environmental water quality

Version A - 8

Environmental water quality

The issue: Chemicals and fertilisers from agriculture, pollution from industry and discharges from wastewater treatment works can all impact the health and resilience of waterbodies in the Wessex Water region.

Current situation: There is a significant amount of nitrogen and phosphorous in our region's waterbodies; We would need to reduce our share of this by 40% (alongside all other parties) to bring all these waterbodies to good ecological status.

What could change: Further investment would improve the environmental water quality of inland and coastal waters. This would benefit nature and wildlife by reducing the levels of phosphorus and nitrogen in the water.

Analysis:

- The word environmental is an emotive phrase which for those interested in green issues and/or nature grabbed their attention.
- However, the title is rather woolly, broad and therefore confusing as to what the description will actually be about.
- The first part of the issue was understood but raised many questions about why customers pay – if others are at fault.
- Words such as resilience and waterbodies were seen as industry terms which participants had trouble comprehending.
- Likewise good ecological status meant little to participants – it was seen as being rather vague.
- There was too much information to process, from working out the problem, the cause and what will be done – so it was not quick or easy to understand.
- However, 40% suggested big changes are needed.
- The descriptor lacked examples so it remained unclear what any additional investment would actually do or how much it would achieve.
- The specific reference to phosphorus & nitrogen only appeared at the end – participants understood chemicals can be a problem, naming them did not add any additional clarity.

Version B - 8

River and coastal water quality

The issue: Nutrients such as phosphorous and nitrogen have a negative impact on river and coastal water quality.

Current situation: The levels in some places are much higher than they should be.

What could change: Greater investment would result in more actions to improve the river and coastal water quality. This would benefit nature and wildlife by reducing the levels of nutrients in the water.

Analysis:

- The title was seen as more understandable to participants, although whether all titles should be neutral or action orientated again emerged.
- The issue in version A was easier to comprehend, very few knew how or why phosphorus & nitrogen were a problem. Nutrients tended to be viewed as something good.
- The issue does not explain how the problem occurs, which made it hard to understand what could or should be done about it.
- The description lacked substance so readers could not appreciate the scale of the problem, especially given few had any direct experience of this.
- The reference to actions was liked as it sounded like something tangible could be done but some specific examples are needed to spell out what any extra money would be used for.

Suggested revised version

Improving river and coastal water quality

The issue: Chemicals and fertilisers from agriculture, pollution from industry and discharges from wastewater treatment works have a negative impact on river and coastal water quality across the region.

Current situation: The levels of damaging chemicals in some places are 40% higher than they should be.

What could change: Greater investment would result in more actions to improve river and coastal water quality. This would benefit nature and wildlife by reducing the levels of damaging chemicals in the water.

Attribute 8 – Net zero carbon

Version A - 9

Net Zero Carbon

The issue: Providing clean drinking water and processing wastewater requires energy and activities which generate carbon emissions.

Current situation: Wessex Water emits 109 ktCO2e of operational carbon per year (which is equivalent to the carbon footprint of 11,600 people in the UK).

What could change: Investment would help achieve operational net zero carbon emissions before 2030. Actions would include changing vehicles to electric, increasing the use and generation of renewable energy and using low carbon technologies to treat and reducing gas emissions such as methane from sewerage and sludge treatment.

Analysis:

- Customers were split between those who liked the title and those who were confused by it. For those who liked it, the terminology was 'of the moment' but it did cause a debate over what net zero actually meant (e.g. carbon neutrality, going back to a previously agreed level, reductions from current levels)
- How water generates carbon was understood from the description.

- The actual figures given were meaningless – without any context it was not clear if this was good or bad or needs addressing.
- Many believed that all companies would have to be carbon neutral by 2030 anyway so water companies will be forced to do this by government – which led them to question why customers should pay when they believe the situation will be sorted anyway within 8 years.
- It was not clear how any additional funding equals achieving significant changes sooner – and how much sooner given 2030 is only a few years away.

Version B - 9

Greenhouse gas emissions

The issue: Providing water and sewerage services requires energy and activities which generate carbon emissions.

Current situation: Wessex Water has reduced its carbon emissions by 25% over the last 4 years.

What could change: By investing more money, actions could be accelerated to achieve being carbon neutral by 2030.

Analysis:

- Greenhouse gas emissions was preferred by some who saw it as an old and established phrase, which was the reason why others preferred the newer or more modern reference to net zero.
- Knowing WW have and are taking significant actions was both positive and also helped convey that additional funding would increase this further.
- But questions were raised over what WW was looking specifically to do or accelerate. Some examples were desired to get a sense of what additional funding would do beyond the sort of activities they expect any company to be taking anyway.

Suggested revised version

Achieving net zero carbon emissions

The issue: Providing water and sewerage services requires energy and activities which generate carbon emissions.

Current situation: Wessex Water has reduced its carbon emissions by 25% over the last 4 years and we are on track to reach net zero by 2030.

What could change: By investing more money in actions such as changing vehicles to electric and increasing the use of renewable energy, we could achieve being carbon neutral sooner than 2030.

Attribute 9 – Biodiversity

Version A - 10

Biodiversity

The issue: Our actions have an impact on the region's biodiversity.

Current situation: DEFRA has a metric to calculate the region's biodiversity. We want to help improve this score in the Wessex Water region.

What could change: Money could be invested in specific projects to boost wildlife and the environment, such as wetlands, which would have a net positive impact on biodiversity.

Analysis:

- The title does not assist readers to understand or focus in on the problem. Participants found it hard to define or describe biodiversity which was considered very broad and general. To the general public, biodiversity appers to mean a myriad of different things.
- This is not an area many were aware any water company is actively involved in, so before than can make a decision they need to understand and appreciate the impact WW has in this area.
- Any score provided by DEFRA is unlikely to mean anything. Some suggested a ranking where WW is compared to other water companies (akin to what they had seen in the customer service descriptions) in order to give them a sense as to whether it needs improving.

Version B - 10

Supporting nature & wildlife

The issue: Helping support nature and wildlife.

Current situation: We want to help improve the Wessex Water region's biodiversity.

What could change: Greater investment would pay for more projects and nature-based solutions all of which would have provide greater support for nature and wildlife.

Analysis:

- The title provided a clearer focus on what the description was about.
- However, the issue was a further description rather than highlighting what the issue or problem actually was.
- The current situation just repeated what the title and issue were saying – and as such was considered to be bland. Rather than stating a corporate aim there was a need to say what the current situation actually is.
- Questions were raised as to how changes to biodiversity would be measured – so customers could see that any additional funding would or had made a significant difference.
- It is easier to visualise and understand 'supporting nature and wildlife' than the term 'biodiversity'.

Suggested revised version

Supporting nature & wildlife

The issue: Our actions have an impact on nature and wildlife in the region.

Current situation: We could be doing more to help nature & wildlife flourish.

What could change: Greater investment would pay for more projects and nature-based solutions, all of which would enhance nature and wildlife in the region.

4.3 Reactions to the potential use of visuals

After reviewing all the written attributes, which were shown on showcards, purely as text, participants were asked if they felt the use of visuals would be helpful.

They were shown some examples to stimulate the discussion.

The immediate reaction from nearly everyone was that visuals would be helpful in making any survey look more user-friendly and providing some relief to the reader by breaking up the written text.

However, one reason given for seeing visuals as helpful was that images can provide a short-cut to communicating each of the attributes, so people would then be able to just skim read the written text. For some participants, this was seen as a benefit, to help them get through a survey quicker but it does suggest it may mean they might not focus fully on the written text.

Even the handful of visuals tested were interpreted in different ways.

Some saw this image as being related to supply interruptions, showing positive action being taken on someone's property, in what seemed like poor weather, to fix a broken or blocked pipe. However, for others the image could be seen as having an extension or conservatory built – it was not sufficiently related to water to be immediately relevant to everyone.

The take-out from some images may communicate an issue is more serious than is conveyed in the written text. The photograph of the water bowser and the queue of people looking to fill up bottles conveyed a supply interruption but also suggested an extremely significant interruption. The image raised a great deal of empathy for anyone in that situation.

Both the photographs above are quite detailed so a small thumbnail image in a survey may be unclear unless a less cluttered photograph can be sourced.

For supply interruptions the use of a graphic rather than a photograph was rejected; no one had seen a sign like this before so the graphic shown was felt to be an image for an image sake, rather than being a visual that is readily recognisable to easily and quickly help convey the issue being described.

Whereas a graphic such as a 5-star rating to communicate good customer service was deemed relevant as similar images are used elsewhere (with Trust pilot and Trip Advisor being mentioned) to communicate a similar thing.

A survey might therefore require a mix of photographs and graphics, although this inconsistency may jar.

The photograph shown for the customer service attribute was seen as rather false and staged; which in itself highlights the challenge in finding a suitable image to use. Customer service was seen to involve more than just answering the phone quickly or in a friendly manner, which is what many took from the photograph.

The photograph led to a discussion if Wessex Water's customer service centre is based in the region or located overseas – so an image may distract readers from the attribute which is described.

Customer service was also deemed to be about more than just a responsive contact centre, with many saying they would first use the website to contact Wessex Water. So, a single image may not be enough to communicate the attribute fully and may narrow down what people focus on.

Given that participants could not agree on which image best communicates either of the two attribute used as examples, which are perhaps some of the simpler ones, there are doubts what could be used to clearly communicate some of the more complex or technical attributes such as sustainable abstraction or net zero.

Rather than actually providing additional support to help comprehend the written text, images have as much potential to cause confusion or misunderstanding.

Given the very mixed views, over just a handful of possible images, to go alongside two of the attributes, sourcing suitable images which help rather than hinder comprehension will require much more customer testing to get right.

Project details

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This research has been carried out in compliance with the International standard ISO 20252, (the International Standard for Market and Social research), The Market Research Society's Code of Conduct and UK Data Protection law.

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Wessex Water PR24 Willingness to Pay

Cognitive testing research report

1. Background

Ahead of launching a large-scale quantitative survey (comprising 1,500 household surveys and 200 non-household surveys) to measure willingness to pay, the draft survey was tested via 14 x one hour cognitive depth interviews.

The wording of the some of the attributes and metrics to measure risk to be used in the willingness to pay survey had already been explored and refined through 5 qualitative workshop sessions (3 with household and 2 with non-household customers) plus 12 depth interviews with vulnerable customers.

The cognitive depth interviews tested comprehension and usability of the quantitative survey.

2. Approach

The research was conducted via Zoom with respondents being given the quantitative online survey link at the start of the interview and asked to complete the survey whilst being observed by a moderator from Qa Research.

During the interviews the moderators probed areas where respondents seemed to struggle, along with exploring aspects they felt were easy, testing understanding of different attributes & service levels, probing why they gave the answers they did to test comprehension and discussing elements which could be improved to make the survey easier to understand and complete.

This report highlights any issues with the survey to ensure the final version is accessible to customers and provides meaningful responses.

The screens participants will see in the quantitative survey has been shown, with observations and suggested changes from the qualitative cognitive testing highlighted underneath, as and where relevant.

RESEARCH

3. Research sample

The respondents for the cognitive online depth interviews were:

The cognitive depth interviews were undertaken Wednesday 9th and Thursday 10th February 2022.

- 6 x online depth interviews with general household customers, split:
  - All to be bill payers
  - Life stage: 2 x pre family, 2 x family life stage, 2 x post family
  - Area of Wessex Water: 2 x waste only (Bristol and Bournemouth), 2 x water and waste
  - Social Grade: minimum 2 x ABC1, 2 x C2DE
  - At least 1 customer whose first language is not English

- 5 x online depth interviews with non-household customers, split:
  - 2 x micro firms (0-9 employees)
  - 2 x SME
  - 1 x large organisation
  - All to have separate business premise to their home
  - All to be key decision makers in the business – i.e. the person who would fill out such a survey on behalf of their business

- 3 x online depth interviews with vulnerable household customers, split:
  - Minimum of 1 of each of the following issues although participants can fall into multiple categories
  - Long term physical health condition
  - Long term mental health condition or cognitive disability
  - Low income / water debt
  - Elderly aged 75+ living alone

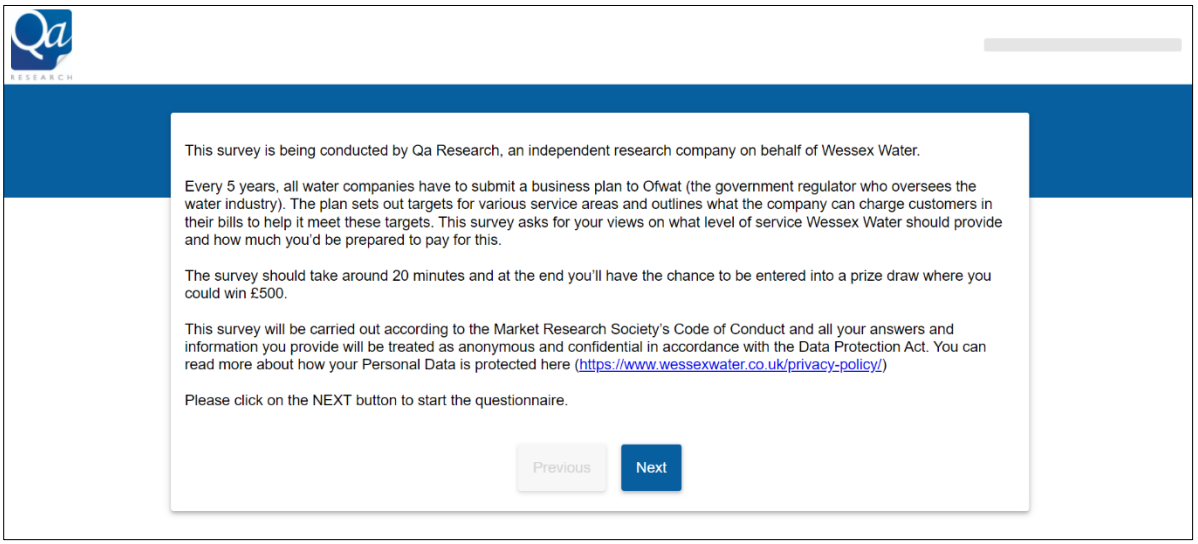
4. Key findings – observations & suggested changes

Overall comments once gone through the whole survey:

- On the whole it was viewed as a well-thought-out survey that was easy to navigate
- Participants could make rational choices based on the attribute descriptions, costs and impacts presented
- Potentially some major design and text changes required for the explanatory pages – with more word tweaks for the attributes
- The consistency of the 10 choice screens helped participants quickly comprehend what they needed to do
- There is a desire to get into the 'meat' of the survey more quickly – screen 13 before asked to make any choices!
- Questions raised whether all the profiling questions were useful and really needed
- A few would like to understand more about how they have arrived at the figures (business)
- One with low educational attainment (NVQ Level 1) – admitted they would have struggled to complete the survey alone – would have provided different answers without help to interpret (especially options)

Only screens where issues were raised are shown in this report.

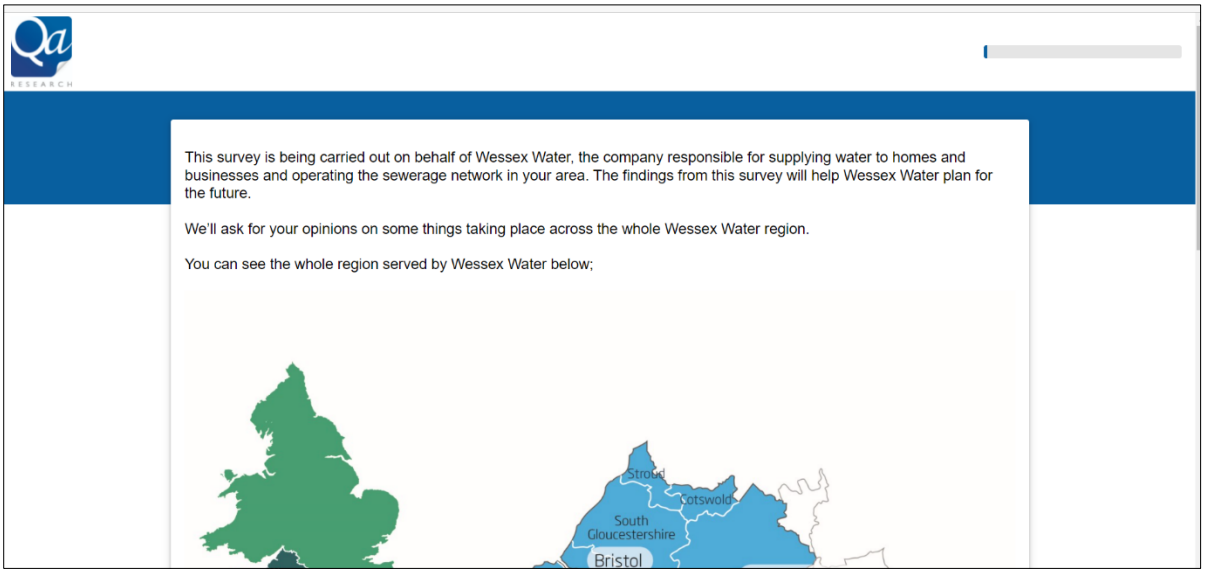
Screen 1



Any issues and suggested changes:

- No screen at end to ask if want to be entered into the prize draw

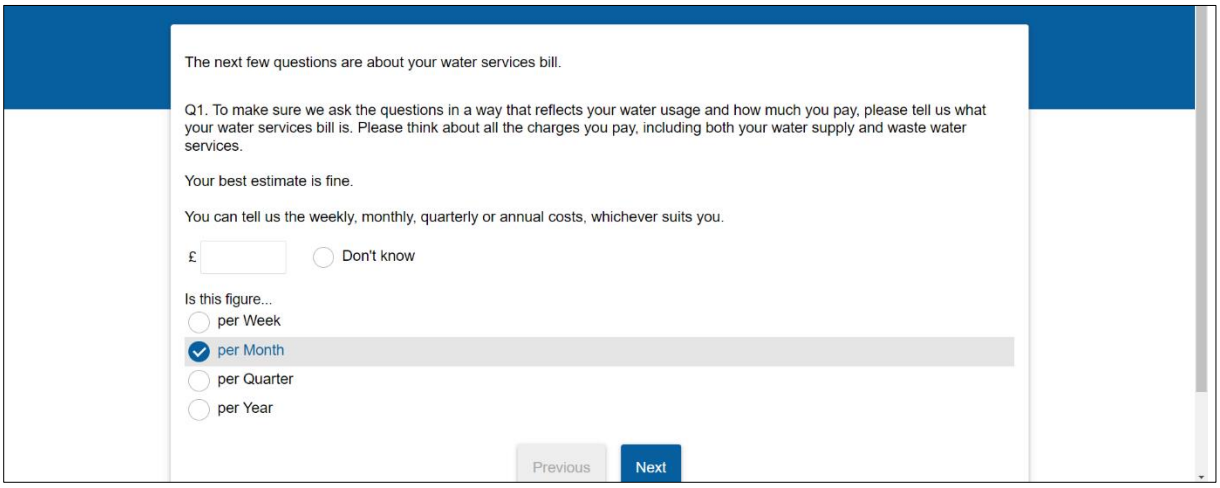
Screen 3



Any issues and suggested changes:

- One or two went straight to the image rather than digesting the text. Suggest perhaps a title (e.g. The area served by Wessex Water) or maybe the last sentence highlighted in bold. Something to catch their attention and direct them to read the text
- If possible, the 'next' button could be closer to the bottom of the image, took an elderly lady a while to realise what to do next

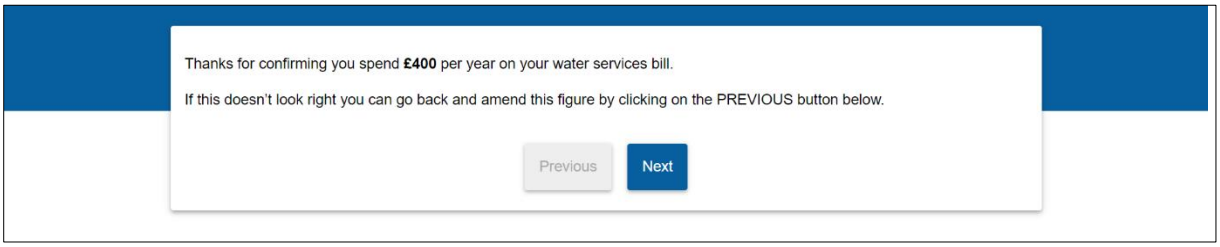
Screen 8



Any issues and suggested changes:

- The phrase water services bill seemed odd to a few participants – to them it is their water bill so the reference to services was unclear
- Many do not know how much they pay by direct debit so they either selected don't know or guessed
- One participant guessed at £60 a month – 2 adults in their house – so came up with a bill for £720 … which seems expensive, although they thought it sounded about right!
- One participant paid twice a year and got quite confused as to what he would put, eventually doubled it and put per Year but took a while – but expect this is fairly rare so not necessarily worth the extra option
- Bristol and Wessex Water customers could be confused, is this accounted for if a Bristol postcode is input?
- Person on Universal Credit pays a portion of bill, knows this but unsure of overall bill amount … added in amount they knew they paid

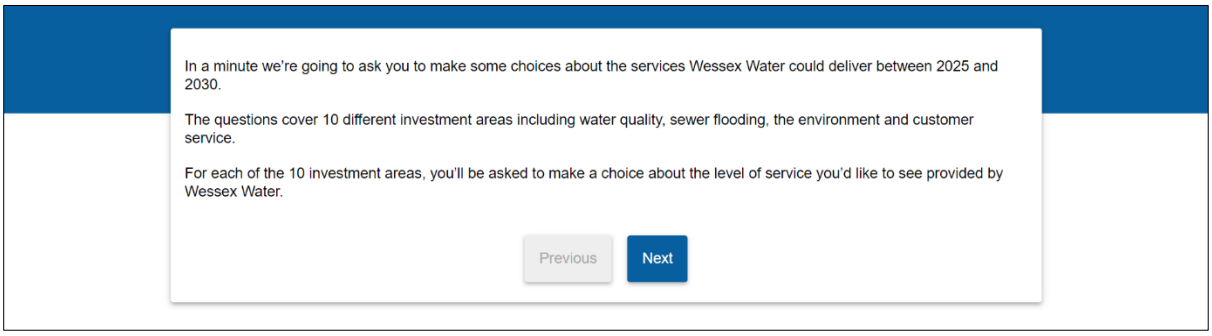
Screen 9



Any issues and suggested changes:

- Useful to have this screen as a double check for people to assess if their bill sounds correct

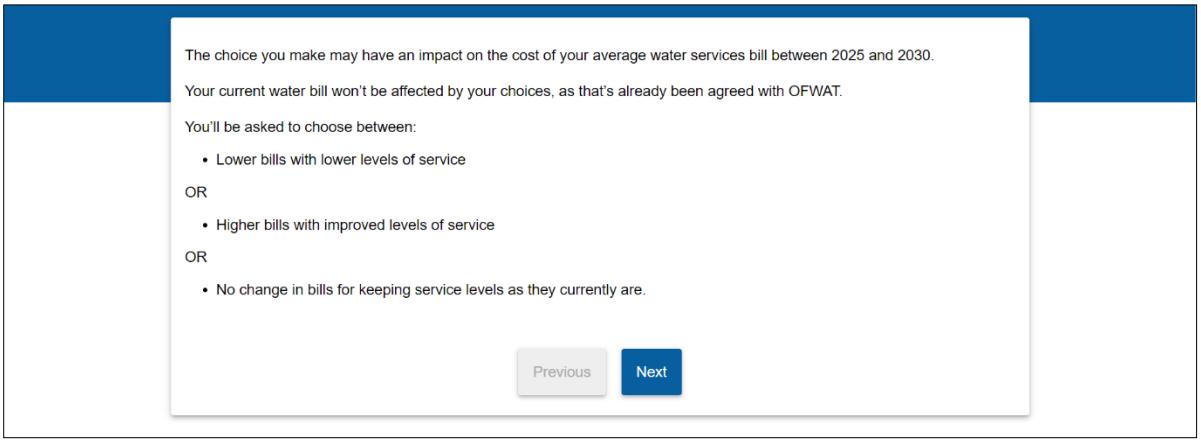
Screen 10



Any issues and suggested changes:

- Most were able to correctly explain what the survey required of them. However, some formatting changes could help to make the key pieces of information stand out. E.g. making '2025' '2030' and '10 investment areas' bold
- Could perhaps make it clearer that the introductory questions are complete and now moving into main body of the survey. This could be a title or a short signposting sentence
- Term 'Investment Area' caused confusion for some - when prompted, sounds like high finance, banking or shareholder speak and not necessarily something they feel they the general public can or should comment on. Suggestion was to change the term to 'aspects' or 'improvement areas'
- Level of service caused some confusion – not everyone was clear from this page what they were being asked to do. Level of service for some is all about customer service, which they automatically feel any big company should be aiming to do their best in anyway
- Some thought there should be more mention of 'prioritising' and 'importance' rather than 'investment' and 'level of service'

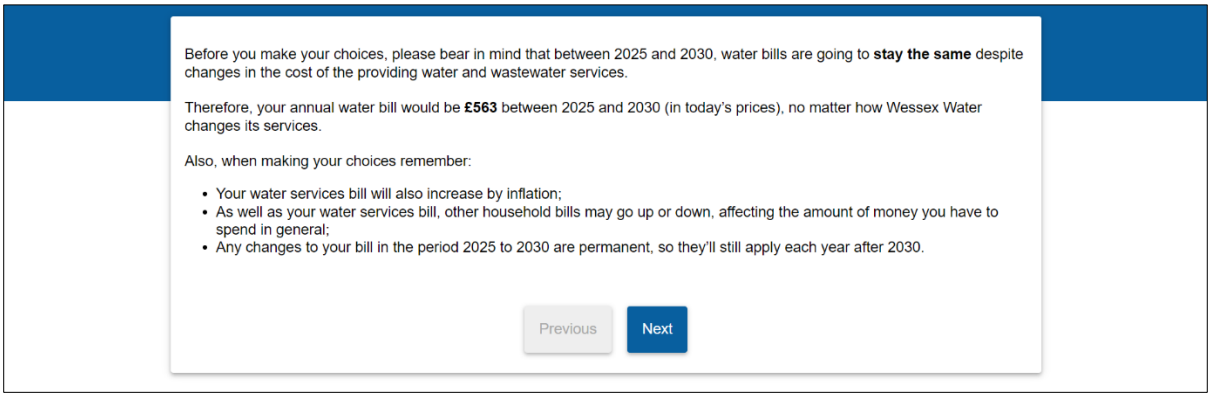
Screen 11



Any issues and suggested changes:

- Most participants grasped but one or two seemed to think they were being asked whether they would rather have lower or higher bills in general
- Reference to water services bill – picked up on by the person who preferred just water bill on screen 8
- Until they got to screen 13 participants were a bit vague and unclear what was being asked of them but they were happy to keep moving on to find a question
- One or two were confused as they only think of WW for drinking water and wastewater so could not see why anyone would want to make these services worse (or indeed how they could be made better) and why customers would be asked to make anything worse – their assumption being any company should always be looking to improve
- Although most understood the reference to OFWAT (although sometimes in relation to a regulator like Ofcom – as they had not heard of Ofwat per se) - the suggestion is to add an explanation e.g. (the government regulator who oversees the water industry) – no one had retained this information from screen 1
- Is the reference to Ofwat needed?
- Is the whole sentence needed as reference to current bill causes confusion when read next screen
- Some struggled to retain that they were being asked about 2025, some were very elderly and not thinking that long-term, some thought their bills would go up anyway by inflation
- Most answering hypothetically if willing to pay for x, y or z rather than relating it back to bills in 2025-2030

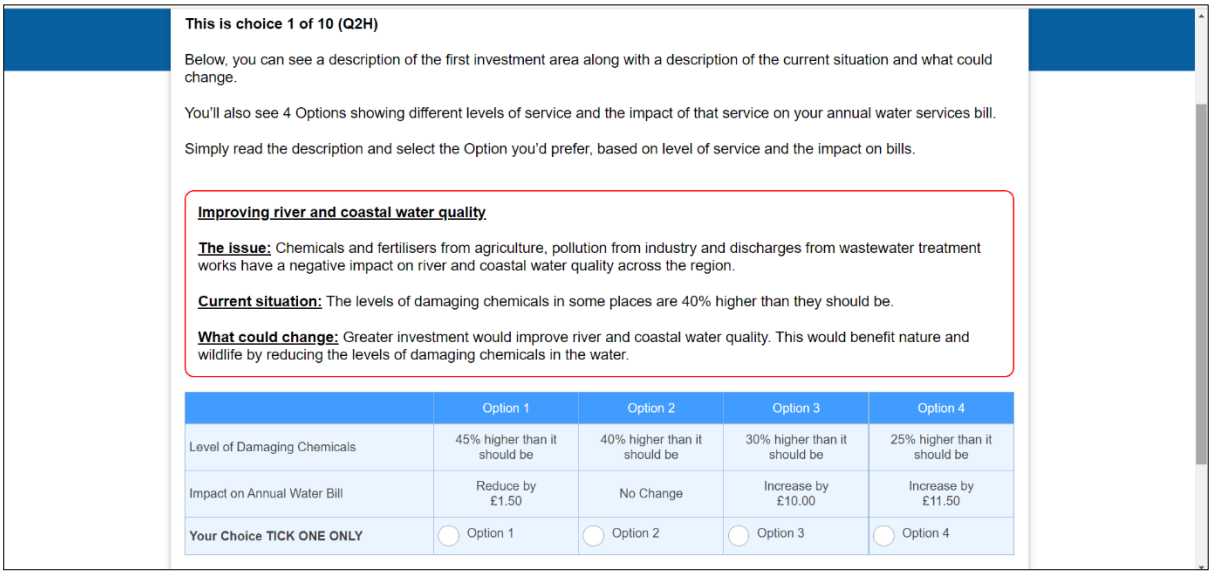
Screen 12



Any issues and suggested changes:

- Given the number of instruction screens and participants desire to get to an actual question this information seems to be skimmed over other than the price of annual bill. For the most household customers the impression is that none of the bullet points are really digested
- Some are still unsure what being asked to do – despite the various instructions but happy to keep going through to get to a question
- Participants really struggled to get any meaning from this, depending on if the text sub said bills would increase, stay the same or decrease
    - If it said increase, this was generally understood that the bills would go up anyway by inflation or other things, and that these changes were going to be on top of that
    - If it said stay the same, participants were confused because screen 11 just told them the prices would go up or down based on their choices, but this was seen to contradict that telling them it would stay the same. And then the bullet points tell them the bill will actually increase by inflation. The idea of a bill increasing a) in 'real' terms, b) by inflation and c) as a result of choices – is all extremely confusing and difficult to separate out
    - If it said decrease, this was seen as totally unbelievable, and also contradictory with the bullet points and screen 11. How can it go down and go up by inflation?
- Even if they did digest the information and understand it, the impression is that this is not held in participants minds throughout the survey – they're not thinking 'can I add on £2 a year, bearing in mind the bill will go up anyway so it'll actually be more than £2 a year', they're thinking 'can I add on £2 a year to what I currently pay'
- Changes will apply each year after 2030 – does this mean forever? Is there another review point?
- Potential to show them an example of how one of the choice questions are displayed and then explain what they need to think about

Screen 13



This is choice 1 of 10 (Q2H)

Below, you can see a description of the first investment area along with a description of the current situation and what could change.

You'll also see 4 Options showing different levels of service and the impact of that service on your annual water services bill.

Simply read the description and select the Option you'd prefer, based on level of service and the impact on bills.

Improving river and coastal water quality

The issue: Chemicals and fertilisers from agriculture, pollution from industry and discharges from wastewater treatment works have a negative impact on river and coastal water quality across the region.

Current situation: The levels of damaging chemicals in some places are 40% higher than they should be.

What could change: Greater investment would improve river and coastal water quality. This would benefit nature and wildlife by reducing the levels of damaging chemicals in the water.

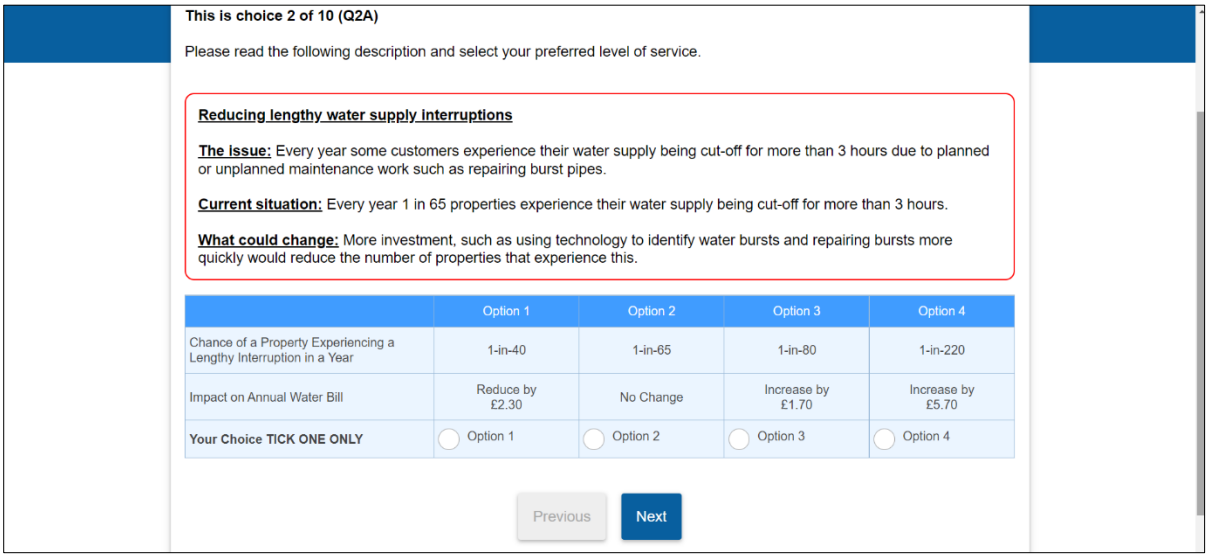
	Option 1	Option 2	Option 3	Option 4
Level of Damaging Chemicals	45% higher than it should be	40% higher than it should be	30% higher than it should be	25% higher than it should be
Impact on Annual Water Bill	Reduce by £1.50	No Change	Increase by £10.00	Increase by £11.50
Your Choice TICK ONE ONLY	○ Option 1	○ Option 2	○ Option 3	○ Option 4

Any issues and suggested changes:

- Really liked the use of the red border. Eyes naturally drawn to red and this section is important to read before selecting an option
- If the phrase investment area is changed earlier on then it will need to be changed on these screens
- For all of the attribute screens, could make the table "axes" more prominent. While the 'option 1' 'option 2' stands out, 'level of damaging chemicals' & 'impact of annual water bill' do not, leading one participant to mistake the % increase as an increase in price rather than % of chemicals. Make first column on the table bold for each attribute
- A couple started off with higher costing options and then became conscious it was adding up so opted lower from then on. Maybe add a sentence just before the red box to say that they will have a chance to reflect on the 10 choices they will make and change any decisions at the end once they have seen the overall impact on their bill
- Not clear what WW would do with any additional monies … before making a choice to pay more some wanted to know what any extra money would actually do, especially as asking for some significant increases in the bill (e.g. help prosecute more, do more inspections or investigations?) … customers want to have a sense that any additional money would not be wasted. Without this many may choose no change as a default option
- Several who had on screen 8 had inputted the bill as a monthly figure then referred throughout to the impacts on bill as being not a lot or very expensive per month and then worked out the increase per year … this misunderstanding will impact on their decisions. Should it say Impact on your bill per year (rather than Impact on Annual Water Bill) and bold the words per year
- Some frustrated they could not choose 0% higher than it should be

- Level of service still not sitting right with some people, but still managed to understand the question structure after doing the first one

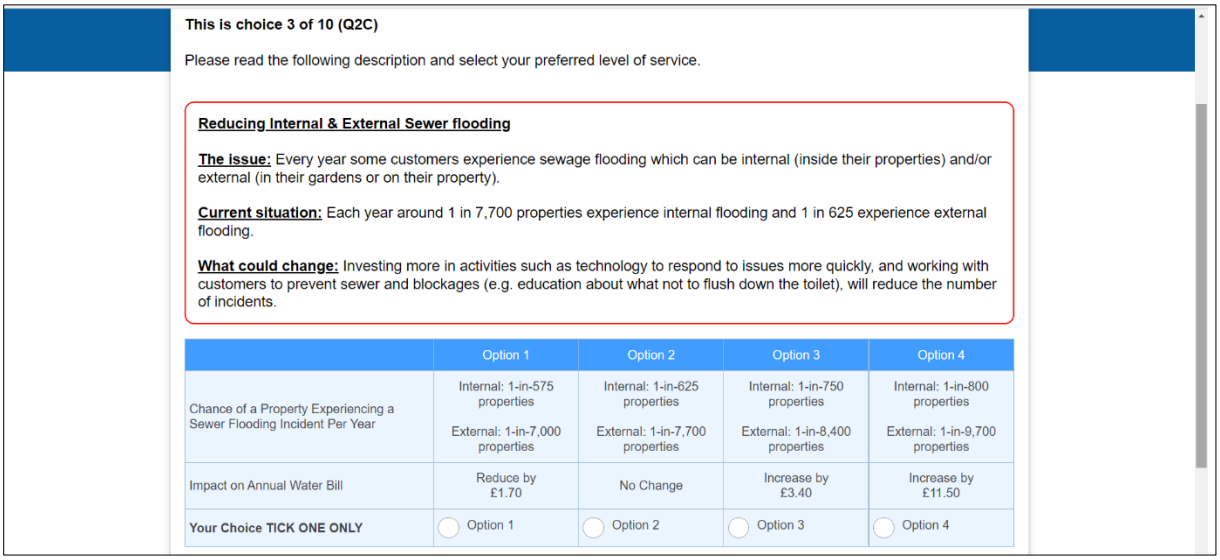
Screen 14



Any issues and suggested changes:

- Business customer noted it was extremely important for business to not lose water supply, but less so as a household customer. Felt 'properties and businesses' could be included which would show business customers that it affects them too
- Business view – length of interruption more meaningful than reference to number of properties (but previous qual research suggested the way average disruption over 3 hours is presented is rather meaningless and adds a level of confusion)

Screen 15



This is choice 3 of 10 (Q2C)

Please read the following description and select your preferred level of service.

Reducing Internal & External Sewer flooding

The issue: Every year some customers experience sewage flooding which can be internal (inside their properties) and/or external (in their gardens or on their property).

Current situation: Each year around 1 in 7,700 properties experience internal flooding and 1 in 625 experience external flooding.

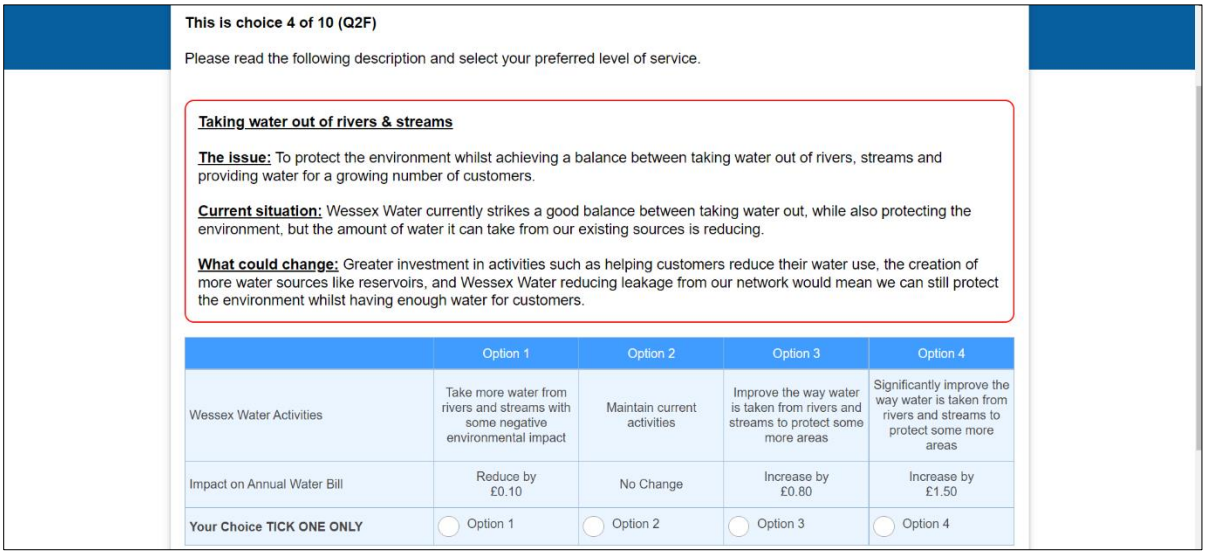
What could change: Investing more in activities such as technology to respond to issues more quickly, and working with customers to prevent sewer and blockages (e.g. education about what not to flush down the toilet), will reduce the number of incidents.

	Option 1	Option 2	Option 3	Option 4
Chance of a Property Experiencing a Sewer Flooding Incident Per Year	Internal: 1-in-575 properties External: 1-in-7,000 properties	Internal: 1-in-625 properties External: 1-in-7,700 properties	Internal: 1-in-750 properties External: 1-in-8,400 properties	Internal: 1-in-800 properties External: 1-in-9,700 properties
Impact on Annual Water Bill	Reduce by £1.70	No Change	Increase by £3.40	Increase by £11.50
Your Choice TICK ONE ONLY	Option 1	Option 2	Option 3	Option 4

Any issues and suggested changes:

- Some found the two figures for internal and external in the options difficult to digest. Others just focussed on the internal figure which they viewed as the more important
- 1 in x made sense – when probed they did not want the percentage chance added in as already lots of numbers to digest
- In some options the big difference in cost for a relatively small change in impact caused confusion … although based on this they were able to make a clear decision over which option they preferred
- Some found it hard to give an option, for example they didn't want to pay more because they thought this was down to WW to provide without asking for additional funds from customers, so it wasn't that it's not an important issue to them, just that they felt they shouldn't have to pay for it
- Confused by 'flooding', thinking about rain and sewers overflowing and street floods. Adding an 'e.g. toilet overflowing' might help to clarify

Screen 16



This is choice 4 of 10 (Q2F)

Please read the following description and select your preferred level of service.

Taking water out of rivers & streams

The issue: To protect the environment whilst achieving a balance between taking water out of rivers, streams and providing water for a growing number of customers.

Current situation: Wessex Water currently strikes a good balance between taking water out, while also protecting the environment, but the amount of water it can take from our existing sources is reducing.

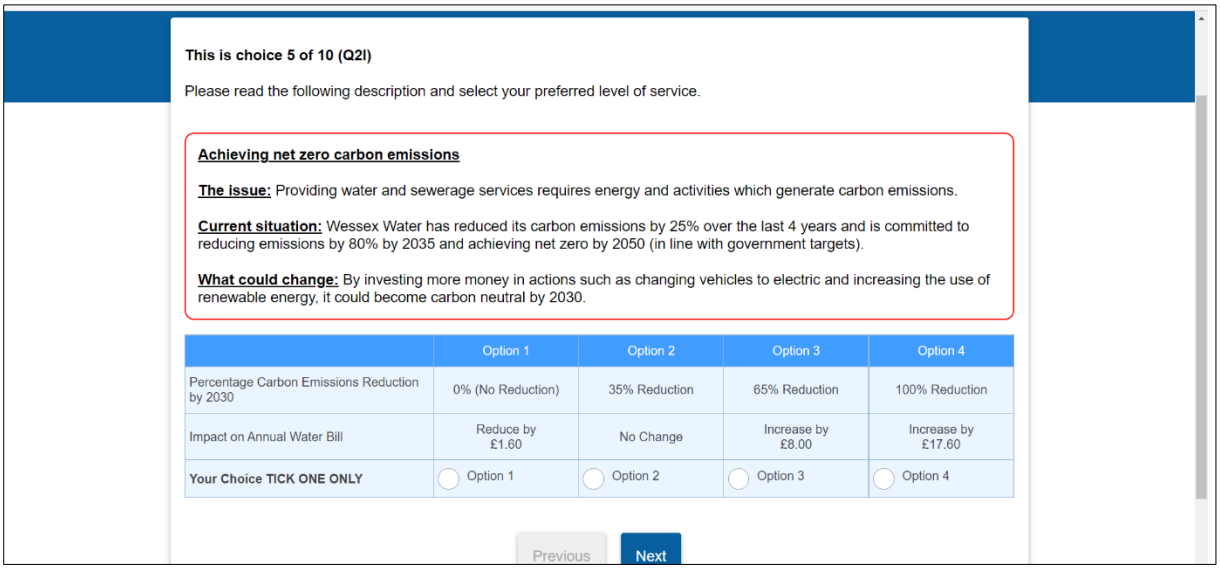
What could change: Greater investment in activities such as helping customers reduce their water use, the creation of more water sources like reservoirs, and Wessex Water reducing leakage from our network would mean we can still protect the environment whilst having enough water for customers.

	Option 1	Option 2	Option 3	Option 4
Wessex Water Activities	Take more water from rivers and streams with some negative environmental impact	Maintain current activities	Improve the way water is taken from rivers and streams to protect some more areas	Significantly improve the way water is taken from rivers and streams to protect some more areas
Impact on Annual Water Bill	Reduce by £0.10	No Change	Increase by £0.80	Increase by £1.50
Your Choice TICK ONE ONLY	○ Option 1	○ Option 2	○ Option 3	○ Option 4

Any issues and suggested changes:

- For a few who could comprehend the test, the description still left them asking … how and what would actually be done to improve the way water is taken from rivers and streams (as mentioned in option choice 3 & 4). The descriptions suggests some alternative actions but the options relate to how water is removed from rivers and streams … so a disconnect
- One person read the current situation and picked up on the reference to the amount is already reducing which led them to ask what was the problem and question why do any more
- 'Strikes a good' balance in current situation suggests there isn't an issue
- This wasn't easily understood, and often taking water from rivers and streams seen as a good thing e.g. to reduce impact of flooding. Suggest changing title to 'taking less water out of rivers and streams' as the others are about what they want to do
- The text could be clearer that they need to take water from rivers to ensure there is enough water for customers but ideally they would take less as it's bad for the environment
- One participant misinterpreted as discharging sewage into rivers … current issue in news

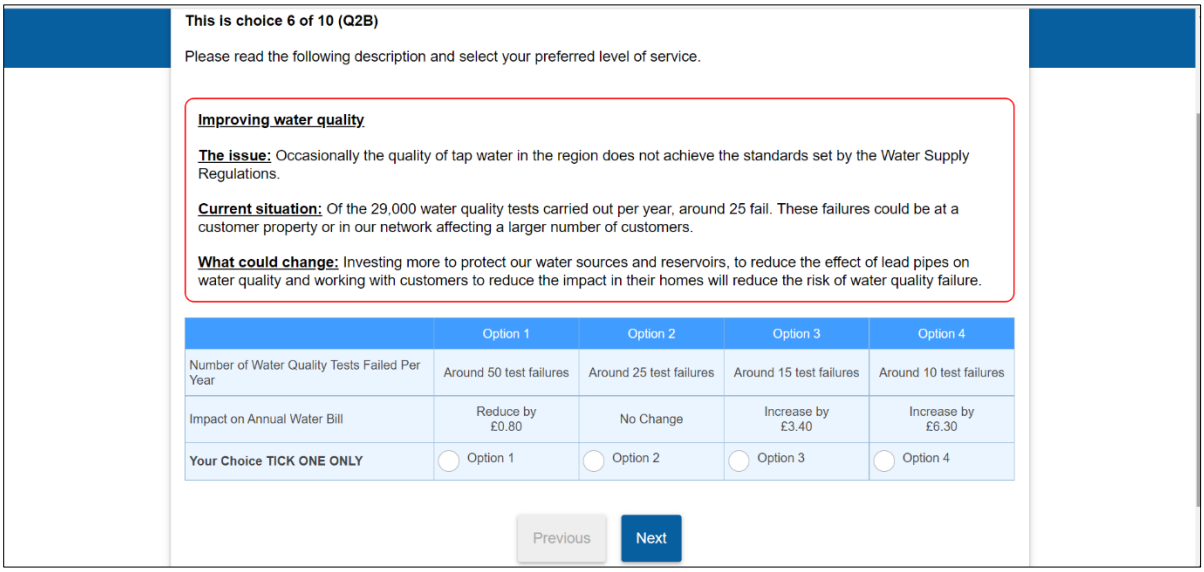
Screen 17



Any issues and suggested changes:

- Title understood in its broad sense
- Some frustrated that they are being asked to provide upfront cost to help WW achieve net zero, but that would ultimately save a lot of money for them and this wasn't going to be returned to the customers who paid for it
- Some thought it wasn't a realistic goal or will make little difference in a global sense so no point in paying more
- Others felt WW will have to do this anyway so why pay for what they will do to do by 2050 anyway
- Some got confused by the % changes, were hard to grasp what that meant especially as the current situation talks about a 25% reduction, but then the options reset to 0%, it's also confusing the figures about 80% by 2035. If they're committed why are they asking for customers help?
- In all others the baseline is option 2 but with this one it is option 1
- Suggest that '100% reduction' changed to 'achieve net zero by 2030' and maybe '30% towards net zero by 2030'

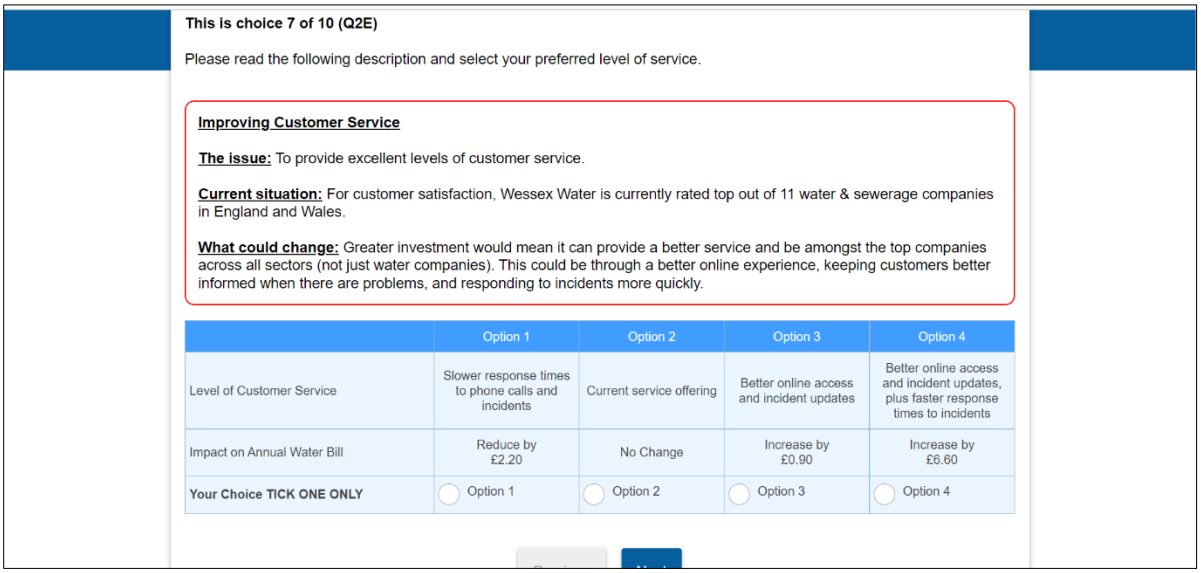
Screen 18



Any issues and suggested changes:

- Easy to understand – just surprise being asked about 25 fails … any change through more or less investment seems rather insignificant but the reactions show they could make a judgement based on cost versus impact
- A couple questioned if this is an area customers should be making a decision about – minimising fails being something WW should be doing anyway
- One person asked how serious were any failures … they felt the number 25 did not give them any sense of if this is a big issue or not

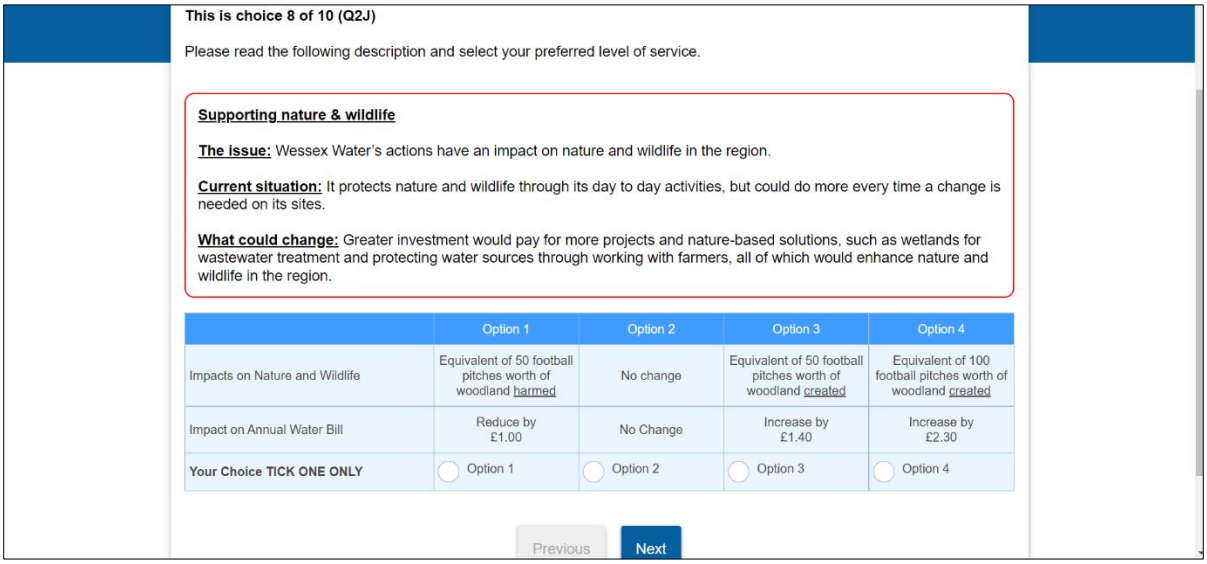
Screen 19



Any issues and suggested changes:

- Reference to 'incident updates' in option 3 was interpreted differently for some something to do with flood alerts and others letting you know when water would be off for maintenance work … can this be clarified?
- Sometimes difficult to know what the extra money would actually do … references to better and faster were seen as too vague. Therefore, if not had a problem it was easiest to select the status quo
- Option 2 'Current service offering' not clear, could this change to 'stay the same' or 'current level/standard of customer service'
- Again, not really seen as something customers should have to pay for … part of a basic expectation to provide good level of customer service

Screen 20



This is choice 8 of 10 (Q2J)

Please read the following description and select your preferred level of service.

Supporting nature & wildlife

The issue: Wessex Water's actions have an impact on nature and wildlife in the region.

Current situation: It protects nature and wildlife through its day to day activities, but could do more every time a change is needed on its sites.

What could change: Greater investment would pay for more projects and nature-based solutions, such as wetlands for wastewater treatment and protecting water sources through working with farmers, all of which would enhance nature and wildlife in the region.

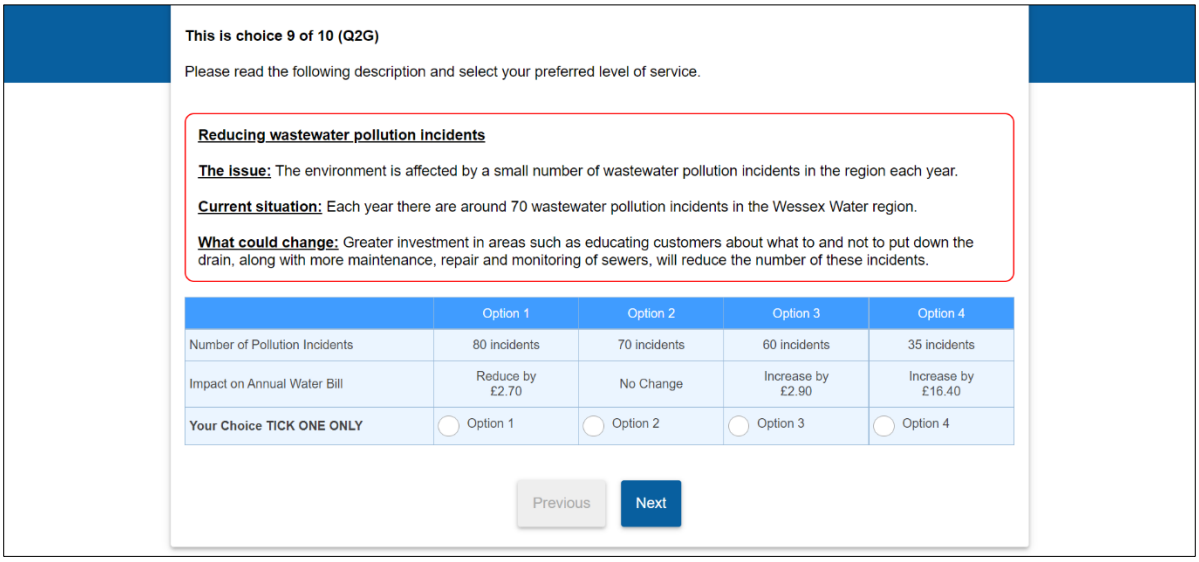
	Option 1	Option 2	Option 3	Option 4
Impacts on Nature and Wildlife	Equivalent of 50 football pitches worth of woodland harmed	No change	Equivalent of 50 football pitches worth of woodland created	Equivalent of 100 football pitches worth of woodland created
Impact on Annual Water Bill	Reduce by £1.00	No Change	Increase by £1.40	Increase by £2.30
Your Choice TICK ONE ONLY	Option 1	Option 2	Option 3	Option 4

Previous Next

Any issues and suggested changes:

- Football pitches made sense to all but one
- One with low educational attainment (NVQ Level 1) – found football pitch example tricky
- Some said they wanted more details of how many groups/types of wildlife could be protected but potentially difficult to communicate this
- Business – thought they could click on underlined 'created' to see more details or an action plan, suggest using italics instead

Screen 21



This is choice 9 of 10 (Q2G)

Please read the following description and select your preferred level of service.

Reducing wastewater pollution incidents

The issue: The environment is affected by a small number of wastewater pollution incidents in the region each year.

Current situation: Each year there are around 70 wastewater pollution incidents in the Wessex Water region.

What could change: Greater investment in areas such as educating customers about what to and not to put down the drain, along with more maintenance, repair and monitoring of sewers, will reduce the number of these incidents.

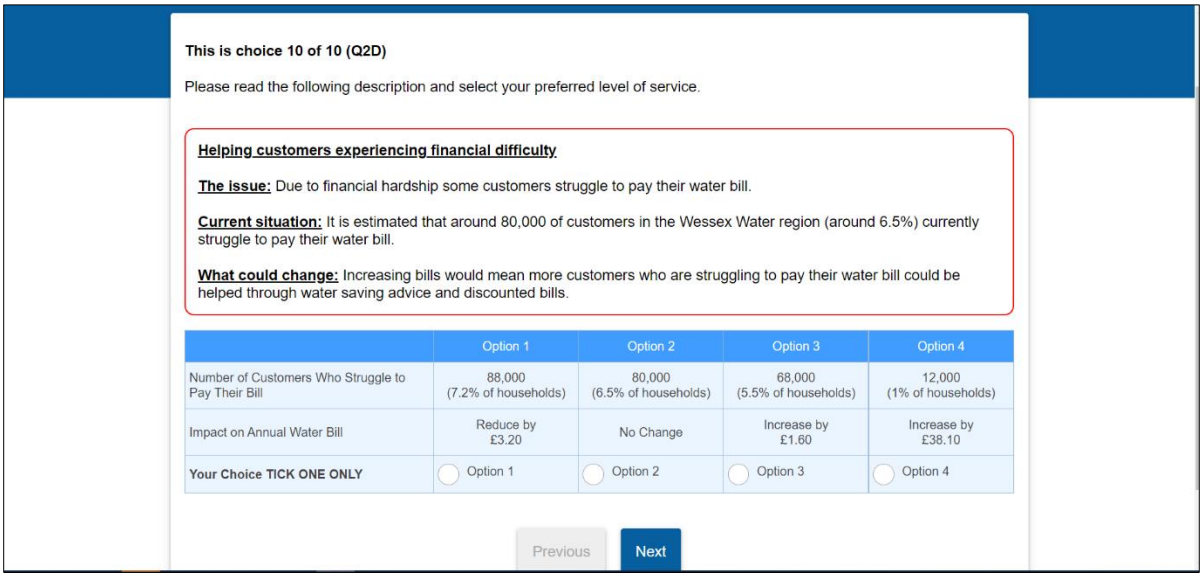
	Option 1	Option 2	Option 3	Option 4
Number of Pollution Incidents	80 incidents	70 incidents	60 incidents	35 incidents
Impact on Annual Water Bill	Reduce by £2.70	No Change	Increase by £2.90	Increase by £16.40
Your Choice TICK ONE ONLY	○ Option 1	○ Option 2	○ Option 3	○ Option 4

Previous Next

Any issues and suggested changes:

- Wastewater not clear for a few – is it sewage, or something else? Might need a sentence to clarify
- Others thought of contaminated water and blocked drains
- Where is the pollution happening, assumed it might be in rivers, sea or reservoirs? Where and how does this happen?
- Both the above makes it hard to make a choice

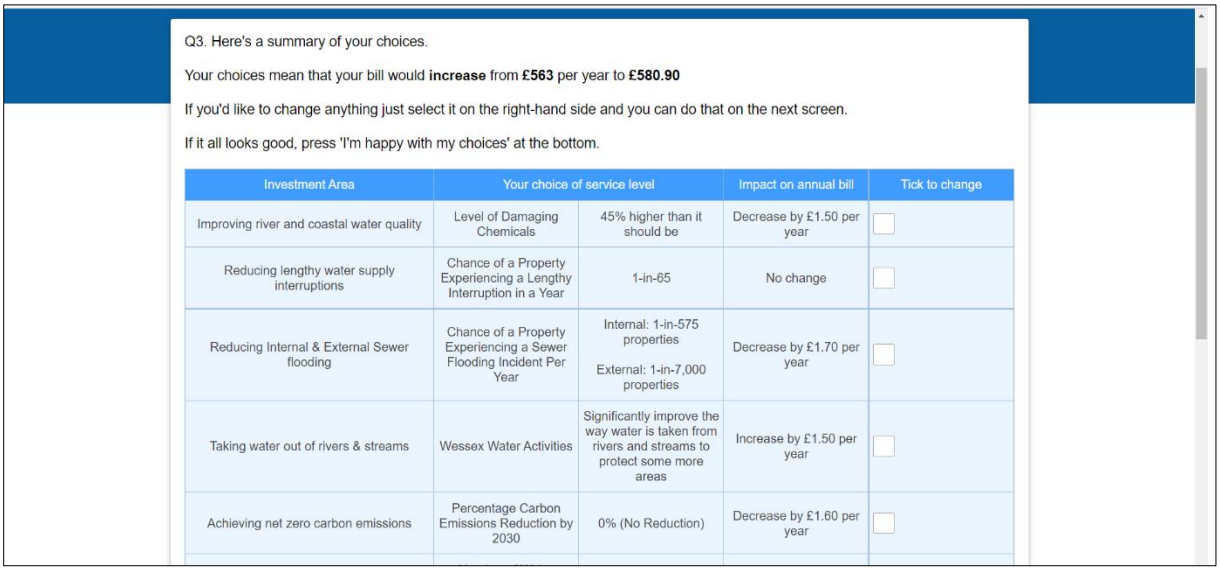
Screen 22



Any issues and suggested changes:

- Caused a longer discussion amongst some who were happy to help some in hardship but only if they knew more about who gets help and why. Therefore, it is difficult without considerably more information for some to select option 3 and especially 4
- Several commented on the big increase in cost between option 3 and 4
- Some had a different perspective, and thought why would they want to put bills up if people are already struggling to pay? Instead said no change to keep bills manageable for those struggling to pay. Perhaps needs to be clearer that the money would go to help those people
- Business – does this apply to businesses? Maybe need a reference in survey to NHH customers that all money raised from domestic and business customers could be used to help domestic customers who are struggling

Screen 24



Q3. Here's a summary of your choices.

Your choices mean that your bill would **increase** from **£563** per year to **£580.90**

If you'd like to change anything just select it on the right-hand side and you can do that on the next screen.

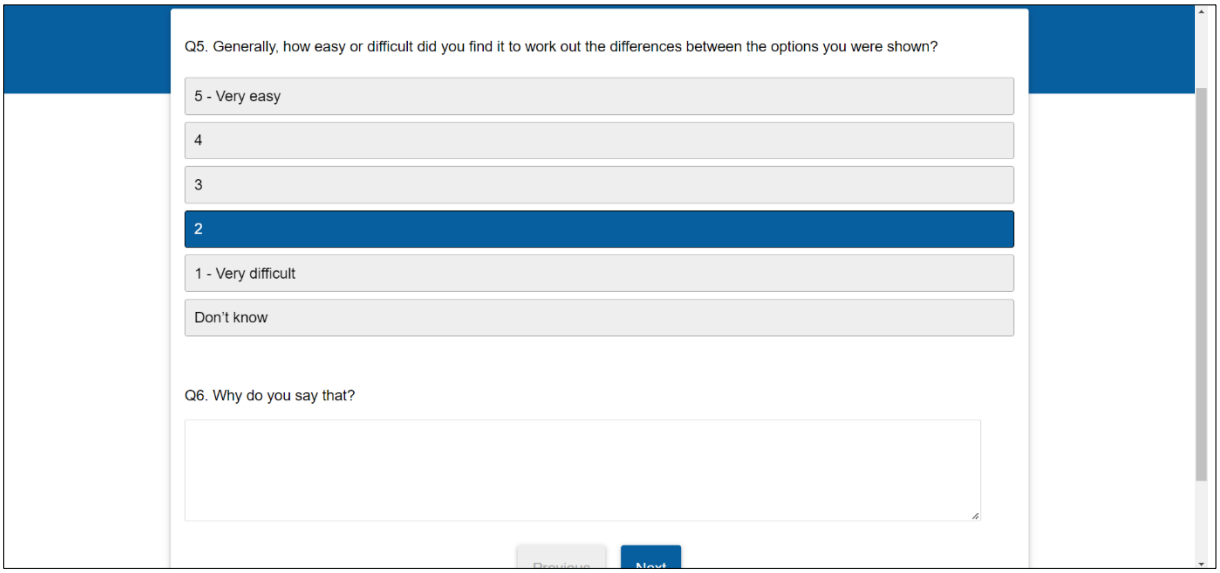
If it all looks good, press 'I'm happy with my choices' at the bottom.

Investment Area	Your choice of service level		Impact on annual bill	Tick to change
Improving river and coastal water quality	Level of Damaging Chemicals	45% higher than it should be	Decrease by £1.50 per year	☐
Reducing lengthy water supply interruptions	Chance of a Property Experiencing a Lengthy Interruption in a Year	1-in-65	No change	☐
Reducing Internal & External Sewer flooding	Chance of a Property Experiencing a Sewer Flooding Incident Per Year	Internal: 1-in-575 properties External: 1-in-7,000 properties	Decrease by £1.70 per year	☐
Taking water out of rivers & streams	Wessex Water Activities	Significantly improve the way water is taken from rivers and streams to protect some more areas	Increase by £1.50 per year	☐
Achieving net zero carbon emissions	Percentage Carbon Emissions Reduction by 2030	0% (No Reduction)	Decrease by £1.60 per year	☐

Any issues and suggested changes:

- On the whole this question was appreciated as it gave them a chance to summarise their choices. Particularly liked the use of bold text for key details
- A couple felt that the format of the table made it difficult to pick out the key pieces of information. Perhaps change it so it's not all in blue or at least make the 'investment areas' column more prominent
- Some did go back and make changes – both as bill now too expensive and also others because they had money left in the budget as original choices would have resulted in a bill reduction and they were happy to pay the same as now
- A few suggested cutting sentence three after 'right hand side' – they have not seen the next screen so the reference to this is superfluous and for a few caused confusion as to what it was referring to
- Most pleased to see this review screen but annoyed they didn't know this earlier as a few admitted they would have been a bit more liberal with their choices if they knew it could be changed. However when they got there, few were inclined to put their bill up even more, and only went back to reduce.
- It would be good to see whether they were at the maximum (e.g. option 4) or if they had room to increase. Ideally this would be visual like a sliding scale but even just writing 'option 3 – xxx' would work

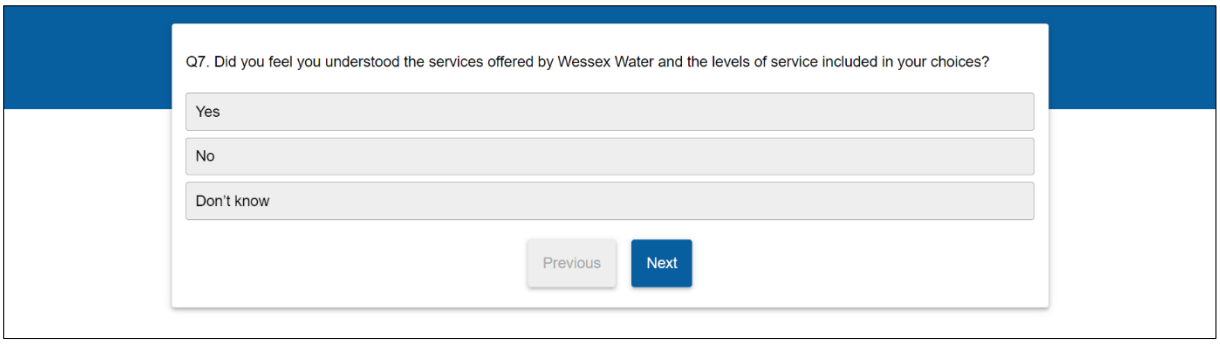
Screen 26



Any issues and suggested changes:

- Happy to give an answer but mentioned some of the Areas and Options were easy and some were more difficult

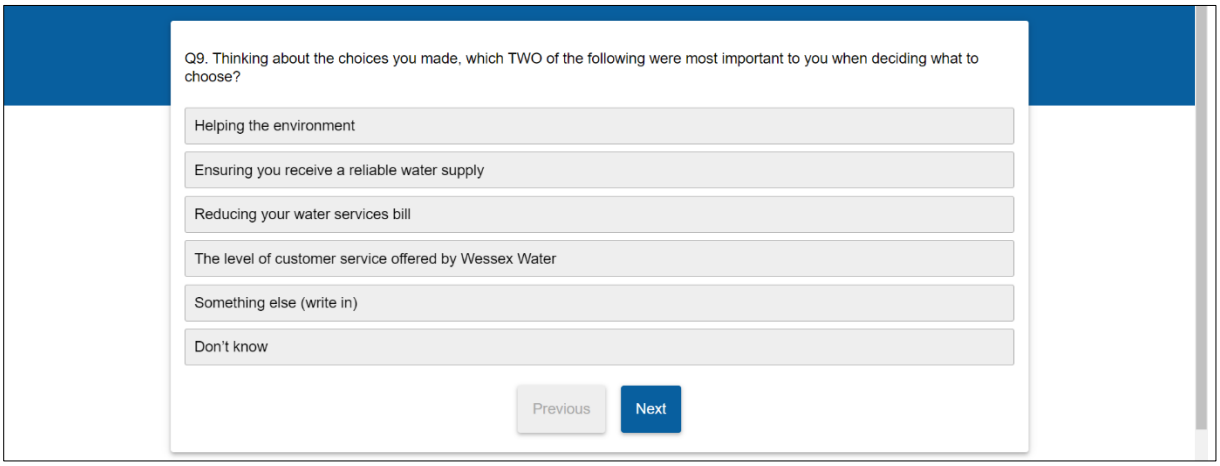
Screen 27



Any issues and suggested changes:

- For some this was hard to answer as it is asking 2 questions in 1 … they may understand the descriptions on the whole but would need a separate question about understanding the different options
- The phrase 'services' offered was felt to be odd by a few … the services customers know they provide are drinking water and taking away wastewater
- Some said they understood some of the 10 areas but not necessarily all of them – which led them to suggest a rating scale out of 5 as on screen 26
- Some suggested a middle option of 'mostly'
- Suggestion is to change the question to be more direct … Did you understand the questions being asked of you?

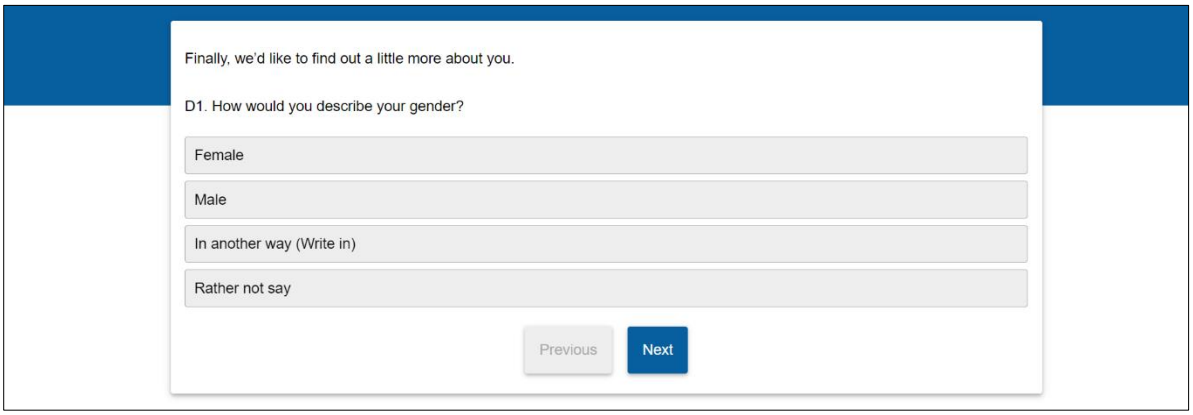
Screen 28



Any issues and suggested changes:

- Missing an option – to keep my bill the same or very similar … many choose a no change option when the impacts on their bill was significant, even if they liked what was being proposed
- Some suggested taking out the word service in the option so it read 'Reducing your water bill' or changing it to say 'Reducing the cost of my water bill'

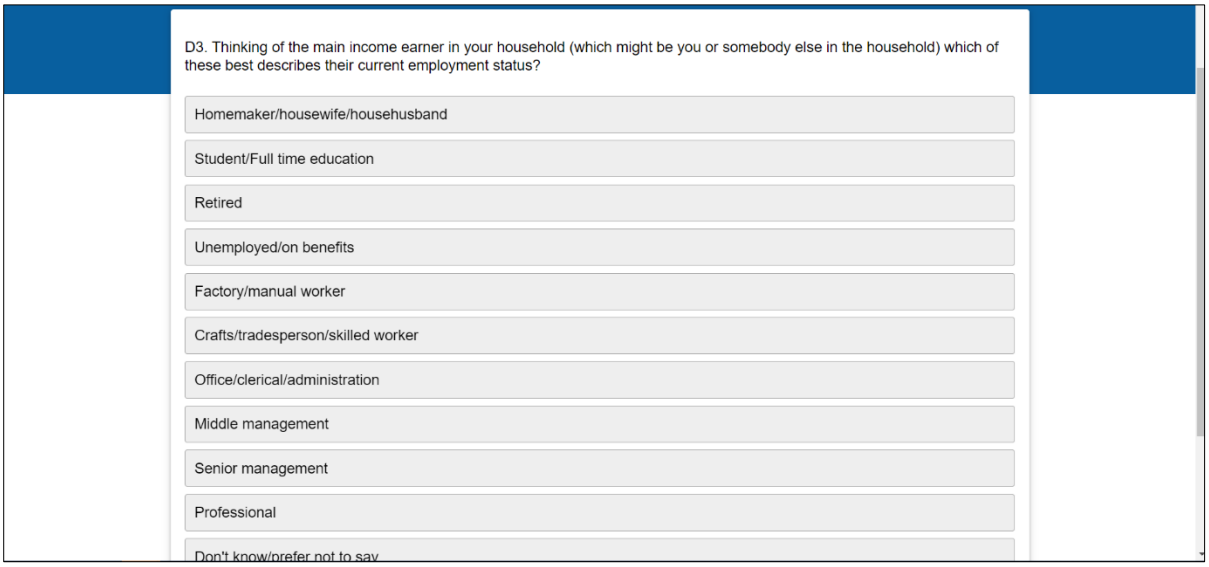
Screen 30



Any issues and suggested changes:

- Questions arose as to why needed this and other personal info. Need to add an explanation …. Asking in order to get feedback from a representative sample across the WW region, that all information is confidential, won't be passed onto any third party but will assist when analysing the data

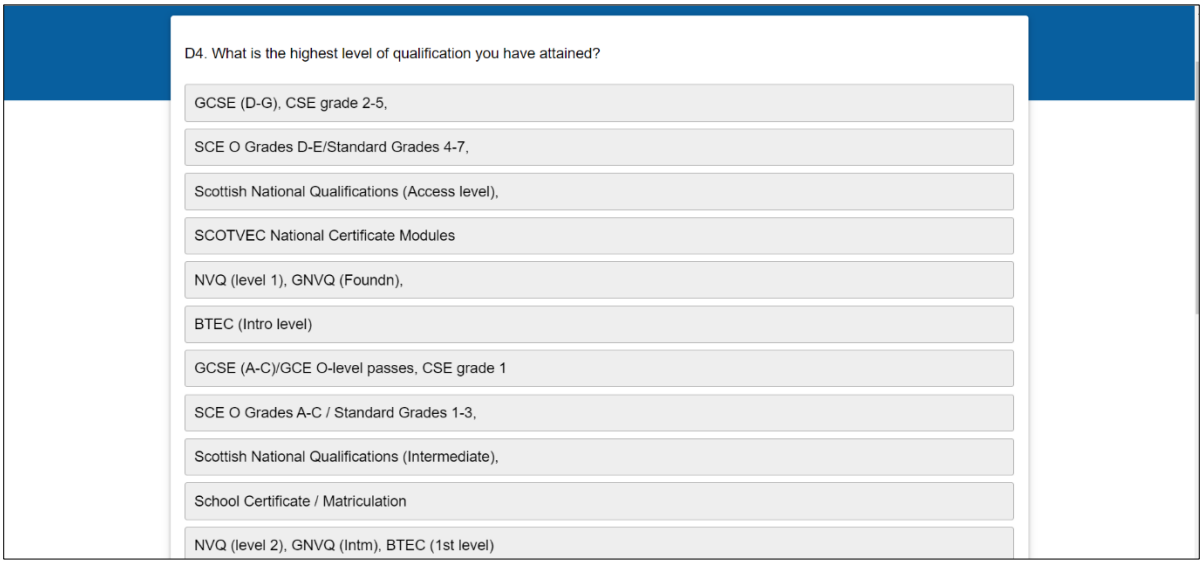
Screen 32



Any issues and suggested changes:

- Unsure what difference this makes to their answers … so needs an explanation here or at the beginning of the section why asking this (and other profile questions)
- Most could find a best fit
- Unclear what to do if self-employed … which can be an employment status
- Unclear why need to ask this and then also later on ask about household income

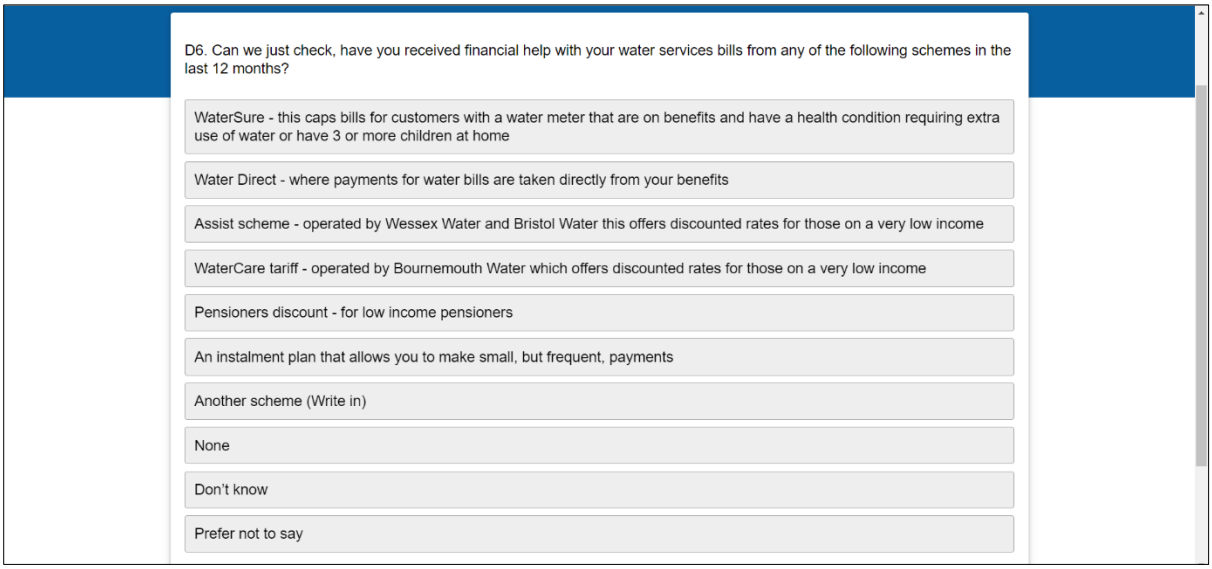
Screen 33



Any issues and suggested changes:

- Unsure what difference this makes to their answers … so needs an explanation here or at the beginning of the section .. why relevant
- Some resistance to this question. Couldn't see why they needed to know this information and thought it was quite hierarchical. Felt as though WW were asking whether people are qualified to have an opinion with one person concerned that they would value certain opinions over others
- One respondent suggested putting 'you' in bold to make it clear that it is the qualifications of the person answering. Raised due to other questions asking about overall household
- A long list which makes it difficult to quickly find the relevant answer, especially when asking about grades
- One suggestion that Baccalaureate and SRN nursing qualification was missing from the list
- One suggestion to separate out the Scottish options – make it less overwhelming to read

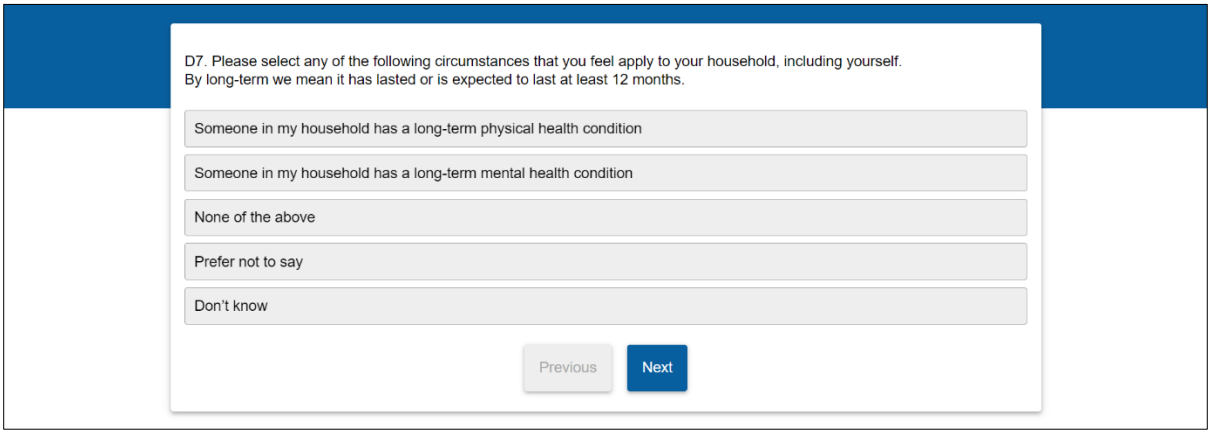
Screen 35



Any issues and suggested changes:

- None could be most prominent, some were confused and said 'well I don't have any of these' and took a while to find the 'none' option
- Person on Universal Credit - not aware of name Water Direct – payments are taken from benefits though…took a while to work this out … add in benefits such as …

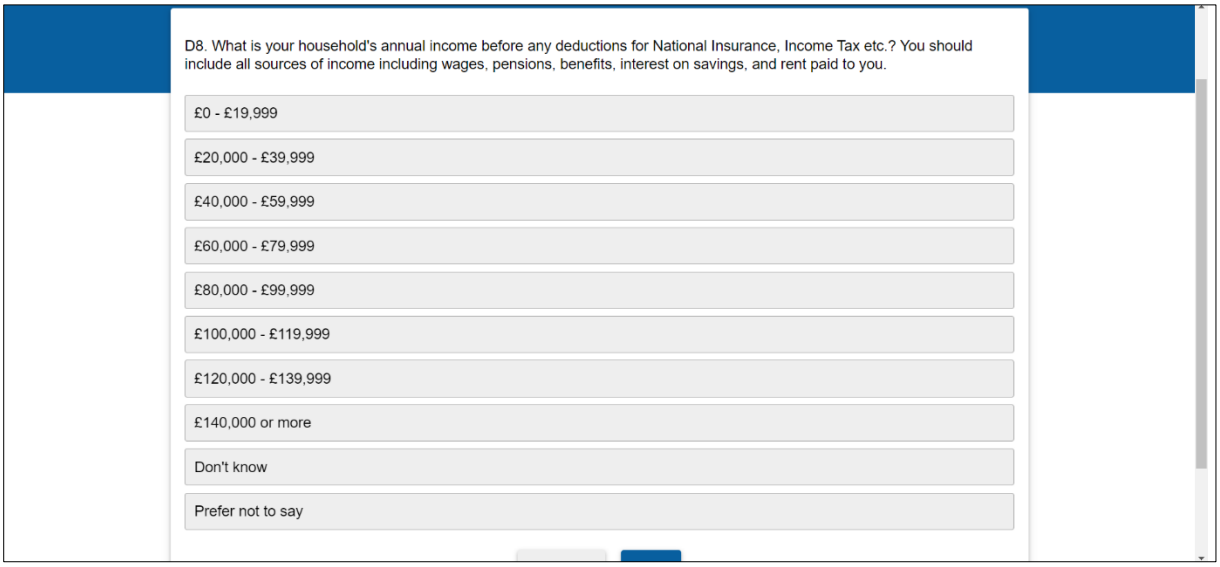
Screen 36



Any issues and suggested changes:

- Don't know option felt to be superfluous … remove
- Most answer without questioning purpose
- Some asked why information was relevant to a survey asking about water bills
- Some knew about the priority services register and were happy to provide

Screen 37



Any issues and suggested changes:

- Most found it easy to answer but can be more difficult if self-employed and income varies considerably year on year (especially over the last few years) and/or if some of their income is based on investments
- Too many options for some – surely if it's about being able to afford the water bill then the difference between £100k and £120k shouldn't matter?
- Is it not enough to know if people struggle to pay their bill

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Confidential

MEMO

TO: Wessex Water

DATE: 4 March 2022

FROM: NERA Economic Consulting

SUBJECT: **Results of Pilot Study**

COPY: Qa Survey Research

1. Introduction

We have examined 470 responses to the pilot to assess whether we should make any adjustments to the survey before the main stage analysis. Our key findings are as follows:

- *Most respondents did not find the survey difficult to complete and spent less than half an hour on the survey.* This suggests that the overall structure of the survey is working well.
- *Some groups appear over-represented in the sample (highly educated and high socioeconomic status).* We can account for over-representation in the final analysis using weights and controls.
- *Respondents exhibit a strong preference for the status quo option.* The status quo "option 2" is the most frequently selected for all attributes but one, and a preliminary willingness-to-pay (WTP) analysis shows that respondents are often willing to pay more for the status quo than they are for a service improvement. Similar preferences for the status quo have been documented in other WTP studies. This may be a true preference, in the sense that people genuinely like things to stay the way they are, but it may also be driven by other factors such as defaulting behaviour, mistrust of the water company or the researchers performing the study, or protest against the idea of paying for service. To mitigate defaulting behaviour, we propose to add a delay within the survey that would require respondents to spend a minimum amount of time on each question (e.g. 10 seconds). We also propose to adjust the questions at the end of the survey to allow us to better understand the motivations of respondents when selecting options.

We set out our findings in more detail below:

- Section 2 summarises our findings on the demographic characteristics of the pilot sample.
- Section 3 sets out our findings on the pilot sample respondents' interactions with Wessex Water, including the type of services received from Wessex Water, the size of their bill, and how frequently they have contacted their water company.
- Section 4 sets out our findings on the respondents' experience of interacting with the survey. We consider both the reported ease or difficulty of the survey, and the evidence on how respondents are making decisions within the survey.
- Section 5 reports our preliminary WTP analysis based on the pilot.

- Section 6 summarises the implications of our findings for the survey design and our main stage analysis.

2. Descriptive Statistics on Demographic Variables

Our pilot sample includes individuals across the full range of each demographic variable considered. There is some over-representation of high education and socioeconomic status individuals. We summarise the key demographic variables below, then set out the implications for both the survey design and our subsequent analysis.

- *Responsiveness:* Most respondents are willing to answer demographic questions. Respondents had the option to select "prefer not to say" for all demographic questions. The share of respondents selecting this option only exceeds 10 per cent for two variables: education (14 per cent) and income (23 per cent).
- *Gender:* 52 per cent of respondents willing to describe their gender are male and 47 per cent are female.[1] Based on data from the Annual Population Survey, the expected gender profile for the operating area is 60 per cent male and 40 per cent female.[2]
- *Age:* The 55-64 age group has the largest number of respondents. Overall, the age profile is broadly in line with the expected age profile for the operating area, based on data from the Annual Population Survey (see Figure 2.1).
- *Household size:* 73 per cent of respondents willing to report their household size live in one- or two-person households (see Figure A.1 in Appendix A).
- *Education:* Respondents are relatively highly educated. 64 per cent of respondents who report their highest educational qualification hold a qualification higher than A-level equivalent (see Figure A.2 in Appendix A). As of 2021, the UK government reports that 47 per cent of adults aged 19-64 have a qualification higher than A-level equivalent.[3]
- *Income:* This question saw a higher degree of non-response than other demographic questions (see Figure 2.2), with 23 per cent of respondents opting not to respond to the question. The £0-£40k income bracket has the largest share of respondents at 40 per cent, with only 10 per cent of respondents reporting incomes above £80k. Existing literature on income studies suggests that individuals on either very high or very low incomes are more likely to refuse to respond to income questions than are other individuals.[4]
- *Socioeconomic classification:* Most respondents are from higher socioeconomic groups. 57 per cent of respondents who report the employment status of the main income earner reported socioeconomic groups ABC1. A further 33 per cent of respondents indicated

[1] These percentages are rounded; the sample also includes one non-binary respondent.

[2] Percentages provided by Qa, based on Office for National Statistics, Annual Population Survey (October 2020 to September 2021) for the following local authority areas: Bath and North East Somerset; Bournemouth, Christchurch & Poole; Bristol, City of; Dorset; Mendip; North Somerset; Sedgemoor; Somerset West and Taunton; South Gloucestershire; South Somerset; Wiltshire.

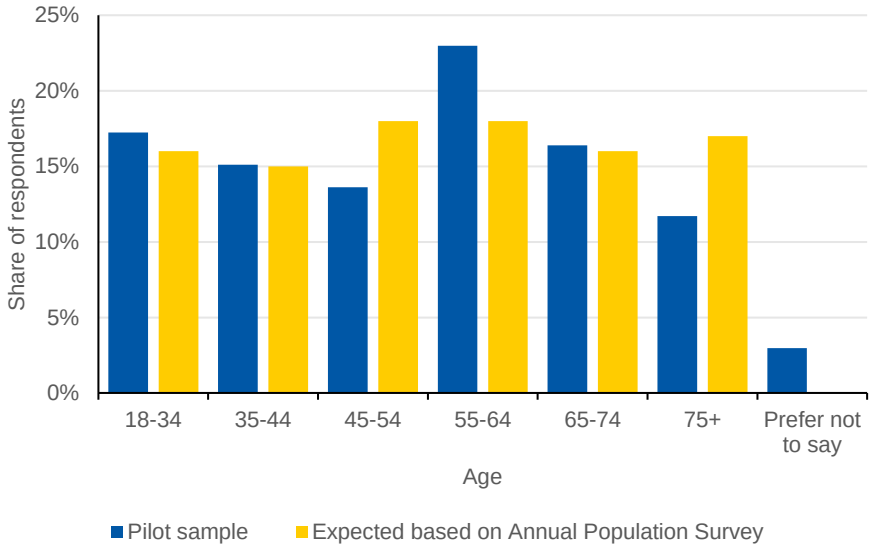
[3] HM Government (25 November 2021), Education and training statistics for the UK. Link: https://explore-education-statistics.service.gov.uk/data-tables/fast-track/9e8971e3-2bad-4a60-8ef3-d2d998f887f7 (accessed 3 March 2022)

[4] See for example Lillard, L., Smith, J.P., Welch, F. (1986) *What do we really know about wages? The importance of nonreporting and census imputation, Journal of Political Economy, 94(3).*

that the main income earner is retired, with only 10 per cent C2DE other than retired. Based on the 2011 census, the expected profile for the operating area for adults aged 16-64 is 56 per cent ABC1 and 44 per cent C2DE; however, given the age range, that sample would not include many retirees.[5]

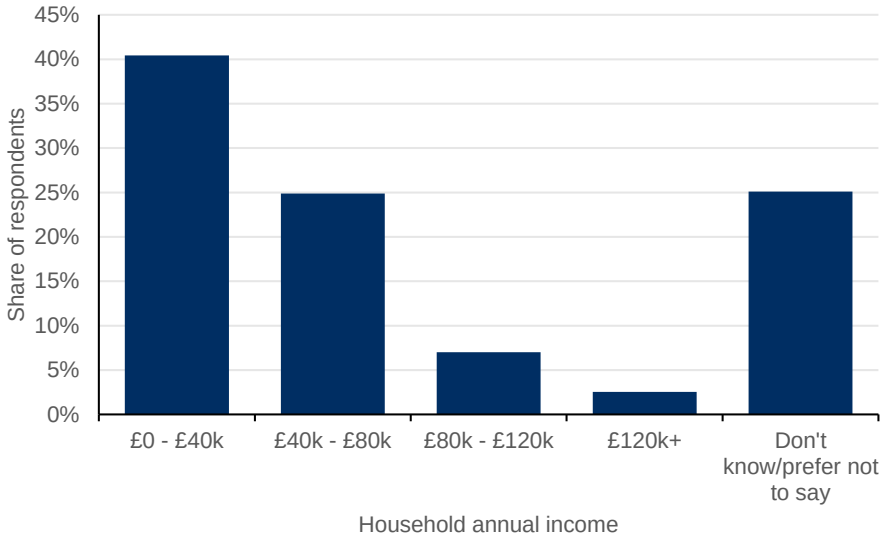
- *Health:* Most respondents (67 per cent) do not have a long-term health condition.

Figure 2.1: The 55-64 age group has the largest number of respondents



Source: NERA analysis of pilot sample

Figure 2.2: Just Under a Quarter of Respondents are Unwilling to State their Income



Source: NERA analysis of pilot sample

[5] Percentages provided by Qa, based on 2011 census.

We consider two possible explanations for the over-representation of high education and socioeconomic status individuals:

- One possible explanation is that these individuals are more likely to open the survey link than lower education and socioeconomic status individuals.
- Another possible explanation is that lower education and lower socioeconomic status individuals are opening the survey but not completing it, because they find it difficult. To test this explanation, we examined whether individuals with lower education or lower socioeconomic status who did complete the survey were more likely to report finding the survey difficult than others; we did not find evidence of this (see Section 4.1). However, those who do complete the survey may not be representative of those who open the survey but do not complete it.

Implications for survey: We understand from Qa that the survey link is currently distributed in a way that seeks to achieve a representative sample from the population.

Implications for analysis: We identify two implications for our analysis of the final survey.

- First, to mitigate the impact of over-representation of certain groups, we can weight the responses of individuals from different groups to ensure that the overall conclusions are more representative of Wessex's customer base. However, this will not fully address the problem if lower education or socioeconomic status individuals who do complete the survey are not representative of their group (i.e. non-completion would not be randomly assigned), and we would need to explore other ways of addressing the problem (or caveat our results).
- Second, to ensure that the large number of retirees is not distorting the results for the C2DE group, we may treat retirees as a separate socioeconomic category from other C2DE.

3. Descriptive Statistics on Interaction with Wessex Water

The pilot collects data on characteristics of the respondents in their capacity as Wessex Water customers. A relatively large proportion of respondents are sewerage only customers. Most respondents seem to have a good idea of what their water bill is, and do not have difficulty paying that bill. Most respondents have never contacted their water company.

- *Bill type:* 49 per cent of respondents are water supply and sewerage customers, 47 per cent are sewerage only customers, and the remaining 4 per cent are water supply only customers. This is broadly in line with the target profile identified by Qa, based on criteria held by Wessex Water, of 43 per cent water supply and sewerage, 54 per cent sewerage only, and 3 per cent water supply only.
- *Bill understanding:* Pilot respondents appear to have a good understanding of their water bill. Only 18 per cent of respondents report that they do not know what their water bill is. A small portion (2 per cent) of respondents report values for the bill that may not be plausible. Following discussion with Wessex Water, we understand that a bill in excess of £1000 would be implausible, while for those not on social tariffs a bill of less than

£100 would be implausible. 9 respondents reported a bill in excess of £1000 and 3 respondents reported a bill of less than £100.

- *Financial support:* Most respondents (90 per cent) indicate that they have not received financial support from any scheme in the past twelve months. This is broadly in line with the target profile identified by Qa, based on criteria held by Wessex Water, of 96 per cent not in receipt of social tariff (noting also that some respondents may be in receipt of financial support other than the social tariff).
- *Difficulty paying:* Most respondents (70 per cent) report that they never struggle with paying their water bill, while only 2 per cent regularly struggle with paying their water bill (7 per cent either did not know or preferred not to say).
- *Contact:* Most respondents (66 per cent) report that they have never contacted their water company.

Implications for survey: Regarding the implausible values of the bill, we propose to introduce a screen that flags to people reporting implausibly high bills that their reported bill is high compared to that of other customers and asks them if they would like to go back and revise it. We propose not to do this for respondents reporting implausibly low bills, as it may be that the bills are low because the respondents are in receipt of financial support. We will be able to address this in the analysis because there is a question at the end of the survey to check if respondents are in receipt of financial support.

Implications for analysis: As with the demographics, we can use weighting to adjust for over- or under-representation of characteristics of interest.

4. Descriptive Statistics on Interaction with Survey

The pilot includes data that allows us to evaluate whether respondents found the survey easy or difficult to complete, to understand the extent to which respondents change their decisions, and to examine how respondents are making decisions when they complete the survey. We set out the results of this analysis, and the implications for the survey, below.

4.1. Ease or Difficulty of Completing Survey

In general, it appears that respondents did not have difficulty completing the survey.

- *Ease of understanding options:* Respondents were asked to indicate how easy they found it to work out the differences between options on a scale of 1-5, where 1 was "very difficult" and 5 was "very easy". 73 per cent of respondents select 4 or 5, suggesting that in general it was easy for them to understand the different options presented (see Figure B.1 in Appendix B).
- *Ease of understanding topics:* Most respondents (92 per cent) indicated that they understood the 10 topics "very well" or "quite well" (see Figure B.2 in Appendix B).

- *Duration of survey:* 95 per cent of respondents were able to complete the survey in less than half an hour.[6] Most respondents (87 per cent) took between 5 and 20 minutes to complete the full survey, with a median time to completion of 12 minutes.
- *Time spent per question:* There is no evidence that respondents found any one question particularly difficult to complete. The median response time was broadly consistent across questions, with the shortest median response time equal to 16 seconds (QE) and the longest median response time equal to 24 seconds (QD and QF).

We also examined whether individuals with lower socioeconomic status or education had more difficulty understanding the options or the topics. Most of these respondents did not find the options or topics difficult to understand. Among individuals with lower socioeconomic status (C2DE excluding retirees), 64 per cent rated the ease of working out the differences between options as 4 or 5 on a scale of 1-5, and among individuals without a university degree, the figure is 71 per cent. Among individuals with lower socioeconomic status (C2DE excluding retirees), 81 per cent reported that they understood the 10 topics "very well" or "quite well", and among individuals without a university degree, the figure is 89 per cent.

Implications for survey: Given that respondents generally found the survey easy to complete, there appears to be no need to adjust the survey (unless there is evidence of survey drop-out by lower socioeconomic status or education groups).

Implications for analysis: Since respondents are relatively confident that they understood the survey, this should give us confidence that the results of our analysis are credible.

4.2. Respondents Changing Decisions

After respondents had answered all survey questions, they had the option to review and change their decisions. 35 respondents (7 per cent of the pilot sample) opted to change their decisions. Among these respondents, the median number of attributes for which they changed their decision was 1, and the median bill impact of the change was an increase in the bill of £2.30.

Overall, this suggests that respondents are mostly happy with their initial decisions and are unlikely to change them.

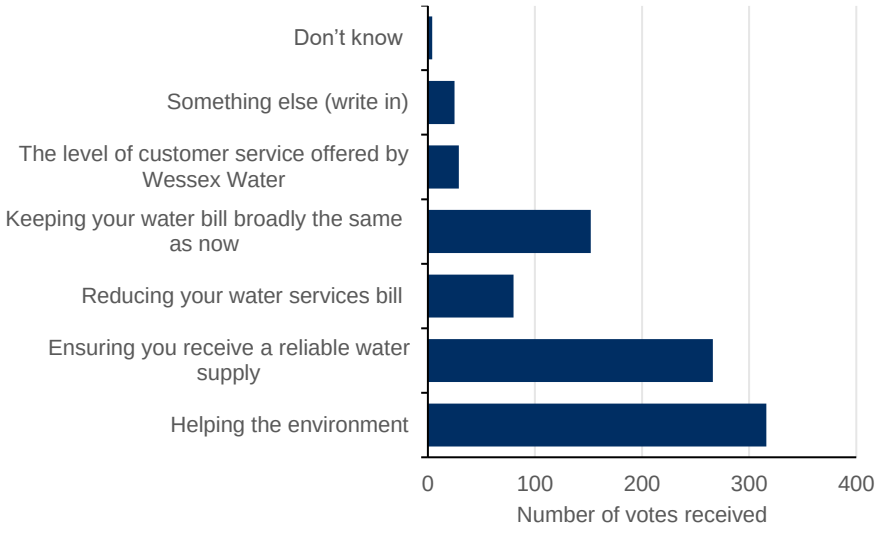
4.3. Factors Influencing Decisions

Question 9 of the survey asked respondents to indicate which of a number of factors were most important to them when choosing between options in the survey. As shown in Figure 4.1, the top three factors for respondents were helping the environment, ensuring a reliable water supply, and keeping water bills the same as now. Respondents were less concerned about reducing water bills or about customer service.[7]

6 The 95th percentile response time was 28 minutes.

7 Note that there are 872 votes in total rather than 940, because some respondents only select one factor.

Figure 4.1: Respondents Care About the Environment, a Reliable Supply, and Bills



Source: NERA analysis of pilot sample
Note, all customers could select one or two priorities on the survey.

A small number of respondents (25) opted for "Something else (write in)" in response to this question. We examined these responses and identified two themes that were already covered by existing options, plus four new themes, as shown in Table 4.1. Overall, the write-in responses are consistent with the results shown in Figure 4.1, that respondents are primarily concerned about helping the environment.

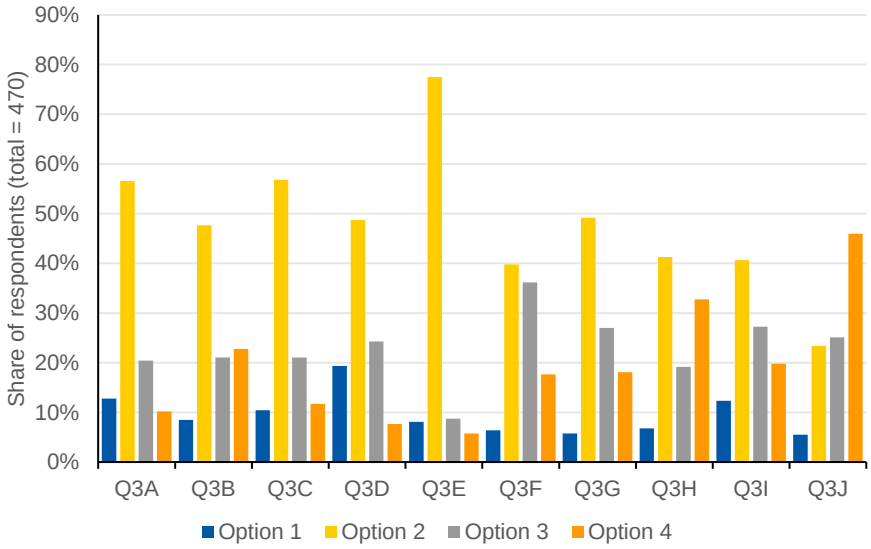
Table 4.1: A Small Number of Respondents Care About Other Factors

Theme	Maps to existing option?	Number of respondents
Environment, wildlife, or climate change	Yes (Helping the environment)	12
Helping customers who struggle to pay their bills	No	6
Water quality	No	5
Holding water companies accountable	No	3
Cost of own bill	Yes (Reducing your water services bill)	2
Happy with current service level	No	1

Source: NERA analysis of pilot sample

There is also evidence to suggest that respondents have a strong preference for the status quo. Figure 4.2 shows that the status quo option (option 2) is the most-preferred option for all attributes except attribute J (Supporting Nature and Wildlife).

Figure 4.2: Most Respondents Select the Status Quo Option for All Attributes Except J (Supporting Nature and Wildlife)



Source: NERA analysis of pilot sample

Status quo preference is a well-documented phenomenon in WTP studies. A number of explanations have been suggested in the literature, including:

- Respondents may be generally averse to change or happy with the current level of service, and therefore have a true preference for the status quo option.
- Respondents may not be engaging fully with the survey, and simply defaulting to the status quo option on some attributes. The literature suggests that respondents may do this either because they find the task too complex, or because they feel the attribute in question is not important to them. The fact that the status quo preference is strongest for attribute E, customer service, lends credence to the second explanation: first, we know from Figure 4.1 that customer service was relatively less important to respondents when choosing between options, and second, attribute E is the one on which customers spend the least amount of time.
- Respondents may be defaulting to the status quo as a form of "protest". They may object to being asked to pay for certain attributes, or to the idea that those attributes can be valued in monetary terms. Alternatively, they may be mistrustful of water companies and therefore unwilling to agree to either a reduction in service or an increase in bill, as they lack confidence that the change would be implemented as described. There is evidence of protest motivations from the write-in responses of 26 participants (6 per cent of the sample). For example:
  - *"I am a bit suspicious of your motives. I suspect that the regulator is determining all of this and you wish to use my responses too influence the regulator. I am happy to add a small amount to improve the environment but expect you to manage your issues within the regulators instructions."*

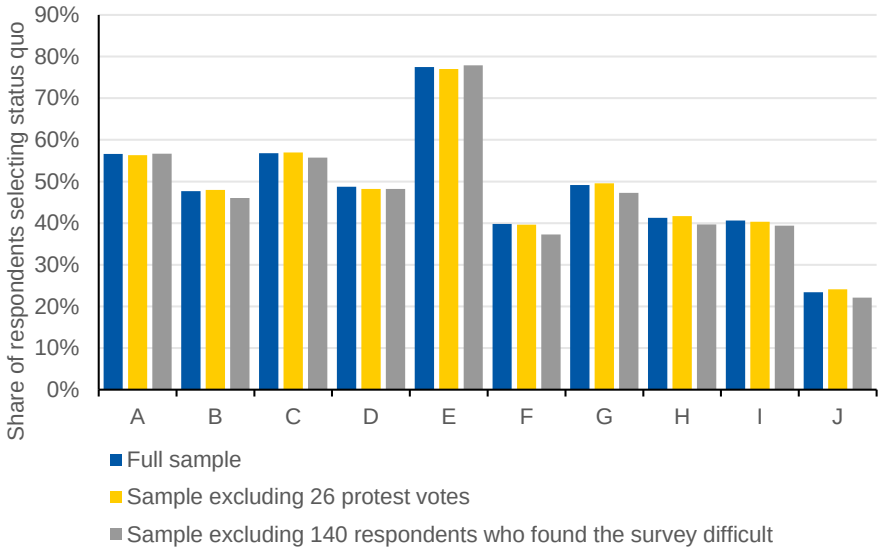
- *"I would like to support all these rising cost with all these improvements being promised, however from past experience all these promises never really come to flourish or being silenced and forgotten about once the prices have be raised and the customers well have to payout either way."*
- *"Because I have no hard evidence or statements of what will actually take place."*
- *"The questions all concern issues which all water companies should be addressing anyway. It is clear , judging by the appalling state of our rivers, that those companies are grossly negligent. I'm sure that most people would gladly pay more for their water bills if it meant that the money would be spent on improving the water quality and not on directors' bonuses."*
- *"You are saying about paying more in our bills, but when you increase our bill price, how do we know what the money is being spent on. You would actually have more money to spend on the areas you have spoke about, if you cut the profit of the business down. A company cannot expect to keep increasing profits year in year and provide a good service without working class families being affected the most."*

There is also some evidence for protest motivations from the cognitive studies. For attributes B, C, and E we understand that some participants in the cognitive studies questioned why they should have to pay for this, because they viewed it as something Wessex Water should be providing anyway.

We performed a rough check for the second and third explanations which showed that neither could completely explain the status quo preference. To check whether respondents might be selecting the status quo because they found the task too complex (explanation 2), we looked at a subsample excluding those respondents who reported having difficulty with the survey.[8] To check whether respondents might be selecting the status quo as a form of protest (explanation 3), we looked at a subsample excluding all respondents whose write-in responses suggested a protest motive. The share of respondents selecting option 2 in both subsamples was consistent with the result from the full sample, as shown in Figure 4.3. This suggests that respondents may have a true preference for the status quo (explanation 1).

[8] Specifically, we excluded respondents who rated the ease of understanding the options as 3 or lower; the ease of understanding the topics as "not very well", "not at all well", or "don't know"; and respondents whose write-in responses suggested that they found the survey difficult.

Figure 4.3: Status Quo Preference is Similar across the Full Interim Sample and Subsamples Excluding Protest Votes and Respondents Who Found the Survey Difficult



Source: NERA analysis of pilot sample

Implications for survey: There are three potential implications for the survey:

- First, to address the possibility that respondents are simply defaulting to the status quo because they are not fully engaged with the survey, we propose to add a delay within the survey that prevents respondents from navigating to the next page before 10 seconds have passed.
- Second, we propose to adjust question 9 (which asks respondents about the factors that were important to them in making decisions) so that it provides clearer evidence on how respondents made decisions about each attribute in turn.[9] We propose to replace the question in its current form with the following question:

  "For each of the 10 topics, which of the following best describes how you decided which option to choose?

  - *You wanted lower bills, even if this meant a worse response than currently;*
  - *You were happy to leave decisions about the topic to Wessex Water;*
  - *You wanted to see improvement, even if this meant paying more on your bill;*

[9] A study of WTP for services on behalf of a water and sewerage company in England asked respondents to indicate their satisfaction with the status quo level of services and the importance of those services in their daily activities. It found that respondents who reported that they were satisfied with the status quo level of services or that a service was not important to their daily activities were more likely to select the status quo option. See Lanz and Provins (2015), *Using discrete choice experiments to regulate the provision of water services: do status quo choices reflect preferences? Journal of Regulatory Economics 47*, pp. 300-324

- *Don't know."*

- Third, we propose to add two questions to the survey to gauge the extent to which respondents object to the idea that they should pay for improvements to these attributes and the extent to which they trust Wessex Water to deliver improvements.[10] After question 9, we propose to add the following questions:

  "How far do you agree or disagree that if Wessex Water invests more to provide a better response to these 10 topics then bills will increase?" and

  "How far do you agree or disagree that if Wessex Water invests more and bills increase, then the company will deliver the targeted improvements?"

  Respondents would see a five-point scale on which to indicate the extent of agreement/disagreement.

Implications for analysis: The evidence suggests that customers may not be engaging very deeply with the question on customer service. We will therefore need to be cautious in how we interpret the results of the analysis for this question. It may be the case that a relatively small proportion of customers have needed to contact their water company, and those that have may have been satisfied with the experience, so overall customers do not care very much about improving customer service.

5. Preliminary Willingness-to-Pay Analysis

We have completed a preliminary analysis of WTP based on the pilot sample. The purpose of the analysis is to test whether the direction and magnitude of estimated WTP are broadly in line with expectations. It is therefore a very simplified analysis: it considers the entire pilot sample as a single group, does not control for demographic factors or apply any weights to address over-representation of certain sub-groups, and does not exclude individuals with implausible bills. Therefore, the results do not yet represent a reliable estimate of WTP.

We report the results of the preliminary analysis in Table 5.1 and Table 5.2.

In all cases, respondents exhibit a positive WTP for improvements relative to the lowest level of service, which is consistent with expectations. For instance, in the case of "reducing lengthy water supply interruptions", the preliminary analysis suggests that customers would be willing to pay £27.37 per year to avoid a deterioration in service from the status quo (1-in-65 risk) to 1-in-40.

However, we find that respondents are willing to pay more for the status quo level of service than they are for improvements in service for many attributes. For example, for attribute E,

[10] The exemplar study of protest attitudes and status quo preferences was investigating WTP for forest diversification in Germany. It asked respondents to indicate the extent to which they agreed with four different statements on a five-point scale. The statements were as follows (1) I already pay enough for other things (2) Lower Saxony should cut public spending for other things instead of expecting a voluntary contribution from me (3) It is my right to have a high level of biodiversity in forests and not something I should have to pay extra for (4) I refuse to assess nature in monetary terms. See Meyerhoff and Liebe (2009), *Status quo effect in choice experiments: empirical evidence on attitudes and choice task complexity, Land Economics 85*, pp. 515-528

customer service, which is the final attribute in Table 5.1, we see that customers are willing to pay £41.69 on average to move from "Slower response times to phone calls and incidents" to "Current standard of customer service", but only £6.81 to move from "Slower response times to phone calls and incidents" to "Better online access and incident updates". In other words, customers' responses suggest the "small improvement" is worse than the status quo, and would need to be compensated by £34.87 (£41.69 - £6.81) to accept it.

The phenomenon of respondents being willing to pay more for the status quo than for improvements is a consequence of the strong status quo preference discussed in Section 4.2. We anticipate that some of the adjustments described in that Section will better allow us to identify customers' true preferences.

Table 5.1: Initial WTP Results for Attributes A-E

Attribute	Service Level	WTP to switch from lowest level (£)
Reducing lengthy water supply interruptions	1-in-40	
	1-in-65	27.37
	1-in-80	11.11
	1-in-220	2.73
Improving water quality	Around 50 test failures	
	Around 25 test failures	32.17
	Around 15 test failures	19.34
	Around 10 test failures	22.34
Reducing Internal & External Sewer flooding	External: 1-in-575 properties; Internal: 1-in-7,000 properties	
	External: 1-in-625 properties; Internal: 1-in-7,700 properties	30.44
	External: 1-in-700 properties; Internal: 1-in-8,300 properties	16.48
	External: 1-in-800 properties; Internal: 1-in-9,300 properties	10.42
Helping customers experiencing financial difficulty	88,000 (7.2% of households)	
	80,000 (6.5% of households)	18.74
	68,000 (5.5% of households)	9.67
	12,000 (1% of households)	1.43
Improving customer service	Slower response times to phone calls and incidents	
	Current standard of customer service	41.69
	Better online access and incident updates	6.81
	Better online access and incident updates, plus faster response times to incidents	2.81

Source: NERA analysis of pilot sample

Table 5.2: Initial WTP Results for Attributes F-J

Attribute	Service Level	WTP to switch from lowest level (£)
Taking water out of rivers & streams	Take more water from rivers and streams with some negative environmental impact	
	Maintain current activities	34.89
	Improve the way water is taken from rivers and streams to protect some more areas	36.63
	Significantly improve the way water is taken from rivers and streams to protect some more areas	30.12
Reducing wastewater pollution incidents	80 incidents	
	70 incidents	38.44
	60 incidents	33.37
	50 incidents	35.97
Improving river and coastal water quality	45% higher than it should be	
	40% higher than it should be	37.17
	30% higher than it should be	37.20
	25% higher than it should be	49.89
Achieving net zero carbon emissions	0% (No Reduction)	
	35% Reduction (35 kts)	22.57
	65% Reduction (65 kts)	19.01
	100% Reduction (100 kts)	22.77
Supporting nature & wildlife	Equivalent of 50 football pitches worth of wetlands and woodlands harmed	
	No change	26.05
	Equivalent of 50 football pitches worth of wetlands and woodlands created	27.81
	Equivalent of 100 football pitches worth of wetlands and woodlands created	39.02

Source: NERA analysis of pilot sample

Implications for survey: The implications for the survey are set out in Section 4.2.

Implications for analysis: The implications for the analysis are set out in Section 4.2.

6. Conclusions on Implications for Survey and Analysis

The discussion above identified a small number of adjustments that we could make to the survey and the analysis, which we summarise below.

For the survey, we recommend the following adjustments:

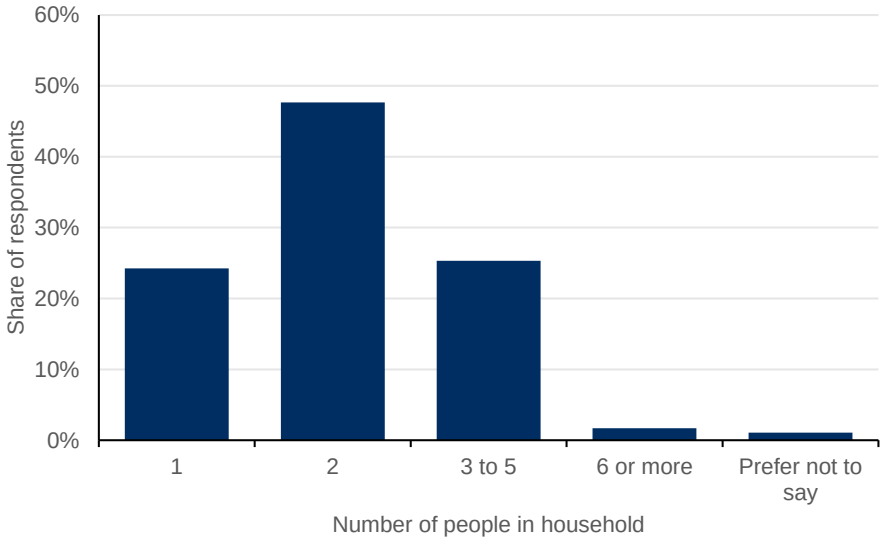
1. Consider adjustments to account for respondents that provide implausible bill values, possibly by asking customers if they are sure their stated bill is right, based on thresholds agreed with Wessex Water.
2. Consider introducing a minimum time (e.g. 10 seconds) that respondents must spend on each attribute before they can navigate to the next page.
3. Consider adjusting question 9 (which asks respondents about the factors that were important to them in making decisions) so that it provides clearer evidence on how respondents made decisions about each attribute in turn.
4. Consider adding questions to assess the extent of protest motives among respondents.

For the analysis, we may (depending on our analysis of the main stage survey) take the following steps:

1. Use weights and control variables to correct for any under-representation of certain groups.
2. Treat retirees as a separate socioeconomic category from other C2DE respondents.
3. Drop observations reporting implausible bill values, based on thresholds agreed with Wessex Water.

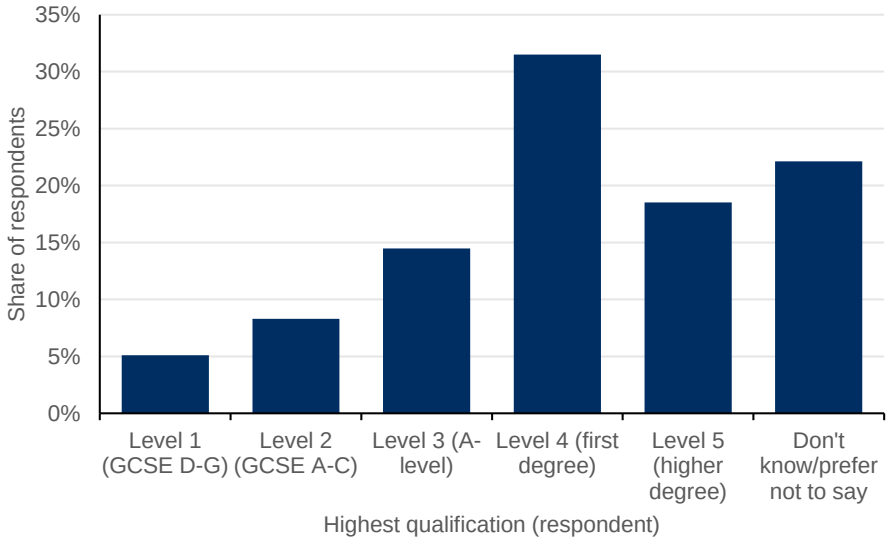
Appendix A. Further Demographic Charts

Figure A.1: Most Pilot Respondents Live in One- or Two-Person Households



Source: NERA analysis of pilot sample

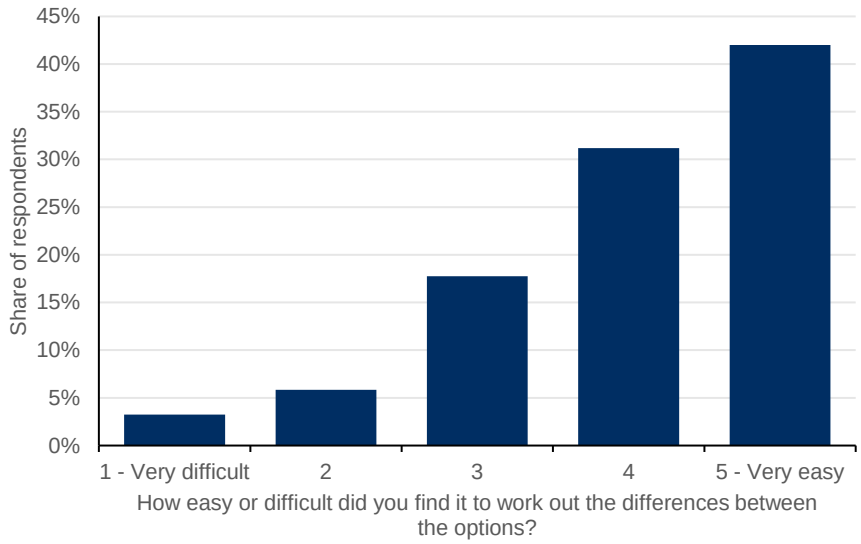
Figure A.2: Most Respondents are Educated Past A-Level



Source: NERA analysis of pilot sample

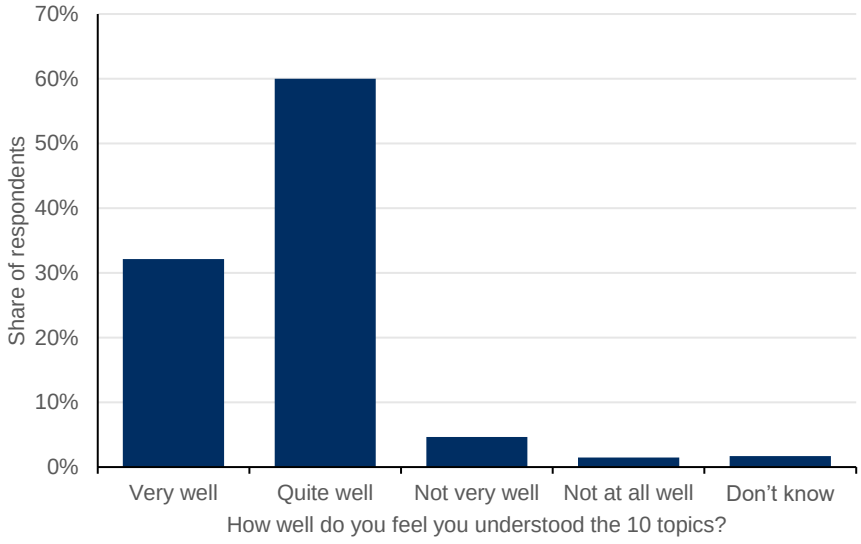
Appendix B. Further Survey Experience Charts

Figure B.1: Most Respondents found it Easy to Understand the Survey Options



Source: NERA analysis of pilot sample

Figure B.2: Most Respondents Understood the Survey Topics Well



Source: NERA analysis of pilot sample

Qualitative Report

Status Quo & Bill Phasing Research Findings

For Wessex Water

August 2022

MRS Evidence Matters℠ Company Partner

QaResearch

Contents

1. Executive Summary

Status Quo Research

The majority of customers taking part in the research start from the perspective of being very satisfied with the product and service they receive form Wessex Water. The do not expect any problems with the 'product' or the 'service' provided. It is perceived to work effectively and efficiently, albeit 'quietly' in the background.

Respondents are not selecting the status quo (no change) option in the willingness to pay survey as a default option because they did not understand what they were being asked or because they were not engaged in the survey; rather they are selecting this choice for a variety of considered reasons.

The descriptions and options were very clear. They were able to weigh up the probability and cost to make an informed choice. All respondents were able to discuss and justify, debate and discuss the choices they had made.

Most respondents evaluated each attribute individually in its own right. Most decisions are looked at from their own perspective so if the issue in the attribute shown had never happened to them, or the chances are deemed to be very low that it ever will, or the consequences are only minor then can live with current level of risk.

The proposed savings on their bill for choosing option 1 tended to be rejected, they do not want the service to get worse for anyone but nor are they willing to pay more for what the additional costs offer – in most cases the additional benefits were not seen to be enough to choose option 3 or 4.

The need for upgrading, renewing and improving the network was recognised by all – the debate was more about who should pay for this.

The choice made is not because they do not want any change or improvement in the service from Wessex Water but because either they do not feel customers should be being asked to pay extra to achieve this (as the attributes are viewed as part of the standard service they expect) and/or they do not believe the activities suggested or the level of actions will result in the changes required.

Sometimes the status quo is selected for practical reasons; the overall cost of all utility bills for some (e.g. those on a state pension / low income) who are already living on a month-by-month basis is high – this resulted in them being most likely to pick no change.

Many (especially ABC1s) had gone through the choice exercise in the quantitative survey, choosing to pay for a number of small improvements in service attributes but on seeing the cumulative financial impact of their choices had gone back to reassess these, tending to prioritise the environmental or ecological attributes as these are viewed as being in need of more help and are seen as more of a discretionary choice which Wessex Water will not make unless they are given a clear mandate to do so.

A minority very informed about the performance and profit of water companies. They were not against improvement but strongly felt additional investment should come from profits and reduced dividends and not from asking customers to pay more.

Some customers may be willing to pay more if the descriptions of the attributes included more tangible actions which they felt would provide real solutions or had some guarantees that additional funding would be effective and result in the tangible positive changes suggested.

A small proportion did not trust that Wessex Water would not come back again and ask for more money hence the desire for a guarantee that any extra investment would be effective in resolving the issue outlined.

Some were also reluctant to pay more unless there was a guarantee that any additional money from customer bills would be ring-fenced on making the changes suggested (and no portion of this would go to pay dividends or bonuses).

2. Introduction

Phase 1 willingness to pay research undertaken for Wessex Water by Nera & Qa Research, which was reported back on in April 2022, identified that customers have a very strong preference for the "status quo" level of service in relation to "Area 1: Serving Every Customer" attributes.

Customers in this survey were shown each attribute in turn, presented with the issue, informed about the current situation and then what could change if they wanted to pay more or less for this aspect.

They could then select one of four choices:

- Option 1 (pay slightly less on their annual water bill – with a monetary amount shown and have a small deterioration in the service or slight increase in the risk of this event happening)
- Option 2 which was the status quo option (i.e. no change in the bill and receive the same level of service as now)
- Option 3 (pay slightly more, with the monetary amount shown along with the improvement in service or reduction in risk this would pay for)
- Option 4 (pay more with the monetary amount shown along with the greater improvement in service or greater reduction in risk this would pay for compared to option 3)

The willingness to pay survey asked about 10 different attributes but the 'Serving Every Customer' ones covered:

- A) Reducing lengthy water supply interruptions
- B) Improving water quality
- C) Reducing internal & external sewer flooding
- D) Helping customers experiencing financial difficulty
- E) Improving customer service

The desire for additional research has been identified to investigate why such a high proportion of customers selected the status quo options for these five attributes, exploring the rationale for the choices made in order to provide reassurance and strong evidence to support subsequent business planning decisions that Wessex Water may take using the willingness to pay results.

In addition, the research also sought to explore preferences for how an investment by Wessex Water of £1 billion in the next five years from 2025-2030 should be paid for over the following 25 years in a fair and appropriate way.

3. Aims & Objectives

For the Status Quo element of the study, the research objectives were to:

- Explore the reasons for some of the choices customers had made in the previous quantitative willingness to pay survey
- Understand why such a high proportion of customers selected the status quo option in relation to the Area 1 attributes
- Determine if the reasons for the choices made were considered or prompted by a lack of engagement with the survey, or a lack of understanding of the attributes or what they were being asked to make decisions about.

For the Bill Phasing element of the study, the research objectives were to:

- Understand preferences between alternative bill phasing options to pay for service improvements delivered through the PR24 business plan but which could be paid for over a longer period of time
- Identify the preferred bill phasing option for funding these investments.

4. Methodology

Qualitative research

The Status Quo element of the research has been undertaken using a qualitative methodology.

Suitable respondents were recruited from a contact database of those who had completed the initial willingness to pay survey and said they were happy to be contacted to take place in future research for Wessex Water. Hence, contacts with relevant demographics and behaviours could be targeted.

This research comprised the following:

- 8 x 90 minute online focus groups with general household customers
- 12 x 60 minute depth interviews via Zoom or telephone with vulnerable household customers
- 12 x 20-30 minute depth interviews via Zoom or telephone with non-household customers.

Household audiences were also asked about their preferences for bill profiling in the same sessions / interviews.

The depth interviews with non-household customers only discussed and explored preferences for future bill phasing options.

Qualitative sample

All participants had given a status quo answer (i.e. selecting no change in the willingness to pay survey) to core services (A-E) for at least two topics out of the five but recruitment started with those who selected option 2 four or five times (i.e. very frequently).

For the online focus groups with general household customers none had issues with bill affordability over last 24 months.

A mix of different locations covering city, town, rural and coastal were included in the sessions.

The online focus groups were split by lifestage and social grade to help identify if these variables made a difference to their answers.

Group #	Social Grade	Lifestage / other criteria
1	ABC1	pre family
2	ABC1	family
3	ABC1	family
4	ABC1	post-family
5	C2DE	pre family
6	Mix	Those who selected option 2 for all five choices
7	C2DE	family
8	C2DE	post-family

The depth interviews with vulnerable household customers were split as follows:

IDI #	Criteria
1-4	Elderly 75+ & living alone
5-8	Long term health condition
9-12	Very low income i.e. household income under £20k and regularly struggle to pay their water bill

The depth interviews with non-household customers were split as follows:

IDI #	Criteria
1-5	Micro – 1 to 9 employees
6-10	SME – 10 – 249 employees
11-12	Large firms – 250+ employees

All were owners or senior decision makers within their business, with 6 out of the 12 depth interviews being water dependent (i.e. water plays a significant role in production or delivery of the service and/or product provided by their business).

All participants received a monetary incentive as a thank you for talking part.

Fieldwork took place between w/c 18th July, w/c 25th July and w/c 1st August.

Quantitative research

The initial qualitative exploration into bill phasing preferences will be supplemented by a robust programme of quantitative research comprising:

- General Household customers: c.1,000 x online surveys via WW customer database with a broadly representative mix of customer types
- Online survey distributed to Wessex Water's online customer panel
- Vulnerable Household customers: c.100 x face to face top up survey targeted towards the digitally disengaged
- Non-Household customers: c.200 x CATI telephone surveys with a mix of businesses.

A note on how to read the report

Qualitative research not only takes account of the verbal feedback but also the manner and tone of how comments were made and the level of agreement (or otherwise) within the session.

The commentary is our analysis of the discussions.

A selection of illustrative quotes has been used as and where appropriate in the report to highlight some of the opinions expressed by respondents.

5. Key findings – Status Quo Research

5.1 Relationship with Wessex Water

The associations are positive even though the relationship with Wessex Water is very passive, despite many customers having lived in the region for a considerable length of time.

> *"It's like a friendly brand I guess, I've grown up around it, those little blue waves on their logo and I see the vans out and about, they're always pretty prompt I think when there's problems" – Pre-family, ABC1*

> *"It's a problem free source of clean water" - VHH, elderly*

The name is well known but the brand is almost anonymous in terms of word or visual associations, any strong perceptions or opinions.

> *"It's just who provides water really" – Family, ABC1*

> *"No problems, but no understanding" - Post-family C2DE*

> *"Neutrally positive. No strong feelings either way, but certainly not negative" - VHH, elderly, LTC*

Awareness or knowledge of what is required to provide clean drinking water and to take away and process wastewater is extremely limited. The service works (in the background) without customers having to engage much with it.

> *"I think probably more of a functional relationship. They're doing their jobs every day, they're sort of just there in the background doing what they need to do" – Pre-family, ABC1*

However, the minority who have had a need to contact Wessex Water were very complimentary how quickly and easily any issue had been resolved to their satisfaction; with contact made to change accounts when moving to a new property, to query high bills (caused by a hidden leak), to report a nearby burst pipe and seek solutions to low water pressure.

> *"I've spoken with them a couple of times. One was a leak nearby. It wasn't in my house, but it was on the on the road just around the corner. That was very easy. The other was the water pressure here when we moved in wasn't brilliant, so I was speaking to them about that and they came out, tested it all and we ended up replacing the metal pipe into the house. There was a replacement*

scheme for that and they looked at what I needed to do and what they were going to do and they came out and did it all quite quickly" – Family, ABC1

"My only issue was the price, I couldn't afford it being on a low income, so I spoke to them and came to an agreement, they put me on one of their payment plans. It was an easy process, you talk to them on the phone they're very understanding and they go through the different levels" – Family, C2DE

"I've had very little need to contact them but when I have, I have always had good communication and the issue has been fixed if necessary" – Post-family, ABC1

"We had a leak. It was in the mains water but on the property underground. I think it was quite a lot of work, but they fixed it straightaway and were really good" – Family, ABC1

"I personally have always had good service from them. I've had to call them out where we live to sort out our blocked drains …. they come round haven't charged me anything, I've had extremely good service" – Selected no change for all

The water bill was seen as providing good value for money and customers appreciated that the bill covered more than initially meets the eye.

"Tend to forget the sewerage side, the sewerage disposal. We just think about the water that comes out the tap. It's easy to forget about the other services that you get for your money" - VHH, elderly

"£33 a month seems a very modest amount of money for a continuous and reliable supply of clean water. It justifies the price" – Post-family, ABC1

While other bills, especially energy, petrol and food causing concern or impact on overall household budgets, water caused fewer problems for households.

"It's been always not as high as energy bills, for example. I mean, they are different things but I haven't seen like a big increase in the last nine years since I have used Wessex Water. I've never found the rates that they charge extortionate" – Family, ABC1

"Unlike electricity and gas which are going up and up and up, it's just there" – Post-family, C2DE

"I'm satisfied with the bill. It's not something I give thought to. I've budgeted for it, so if it stays the same, I can manage with it" - VHH, elderly

The majority of customers taking part in the research start from the perspective of being very satisfied with the product and service they receive form Wessex Water.

The do not expect any problems with the 'product' or the 'service' provided. It is perceived to work effectively and efficiently in the background.

They do not have a list of potential improvements they feel Wessex Water should be making, although a minority had seen recent media coverage surrounding sewage discharges into rivers and were keen for this to be addressed.

However, a handful of respondents who had opted for option 2 for all five attributes had a strongly negative view towards privatised water companies, from the beginning of the discussions, which was the driving reason for not wishing to pay any more in the survey.

"I don't know if anybody has read their 2020-21 report on their profit. One of the things that struck me was that the four main players in Wessex get 15% of their bonus from protecting and enhancing the environment. They all achieved that 15% bonus. So, if they are the fifth worst [water company in this regard] what kind of targets do they have? because clearly, they're not good enough. But they're all getting their money. They're all raking it in. Sorry, not a good company as far as I'm concerned" – Selected no change for all

"30 years on from privatization we're in a far worse state now than we've ever been on the rivers, 14% of the rivers are of acceptable ecological standard … 236,000 hours of raw sewage being dumped into our rivers and our coastal waters in Wessex" – Selected no change for all

"The affordability of Wessex Water bills concerns me greatly, I think it's something like £80 out of the £400 average water bill which goes off overseas in the case of Wessex, and in fact most of the other water companies in dividend payments and interest charges on those dividends and Wessex is not contributing any of their profits to pay for social tariffs" – Selected no change for all

5.2 Tendency to choose the status quo

To explore whether those with a high frequency in selecting the no change option in the willingness to pay survey did so because that is their usual default in other areas, they were asked whether they had or were likely to consider switching their current bank account.

Many had switched current accounts when local branches had closed down and therefore removed the rationale for staying with that provider.

> *"Only because they closed the local branches so I changed" - Post-family, C2DE*

> *"We were with HSBC bank for 50 odd years. But locally, they've closed their branches down so we've had to move on for that reason. No other reason" – VHH, elderly, LTC, low income*

Some had switched and some regularly to receive the 'joining' incentive or to get a small but at least better return on their money.

> *"I switch, like once, once a year, whenever they say you get £170, I've literally done it this week, £170 pounds to switch to a new bank. It takes five minutes, and they really do move all the stuff over. So I don't have loyalty to any of these corporations" – Pre-family, ABC1*

> *"I'm considering it at the moment because they removed the safety barrier of an overdraft. It's bad enough retiring and having to live on a pension without the bank suddenly making all the changes to your financial position. It made me think maybe I can find a bank that's going to treat me a bit fairer" – VHH, elderly*

However, some had stayed with the same current account provider for a long time, as switching is considered to be a hassle for little financial gain, or a sense of loyalty to the provider. They are making an active choice not to switch their current account providers but later on mentioned that they had switched internet and utility providers – so they do make active choices even if it is sometimes to not change.

> *"It's embedded that once you've established a bank account and it's working, you only go to another bank when the account you've got at the moment is badly letting you down" – Post-family, ABC1*

> *"I think they're all as good or as bad as one another – yes there are some differences in charges but they're all basically the same" – Post-family, ABC1*

> *"I know they say that when you switch, they'll do it all for you. But I don't know it just seems hassle to change" – Pre-family, ABC1*

> *"I haven't changed purely out of laziness if I'm completely honest because I know it's very easy to and I know there are lots of incentives to change but I just haven't" – Family, ABC1*

> *"I've been with my bank since I was 16. I think my bank is quite good when you contact them compared to other banks, so I've stuck with them" – Family, C2DE*

They were then asked if they had or would switch their internet provider.

As the 'product' is invisible and seen to be very similar, even more respondents had switched internet providers, at the end of a contract, based predominately on price but with some consideration of likely service levels or trust in the brand.

> *"I quite frequently change if I see a better deal, or you get something for free that comes along with it. I'm quite happy to change" – Family, ABC1*

Customers who had remained with the same internet provider often attributed this to satisfaction with the service and price.

> *"I've never changed because I'm happy they offer good customer service. Good value for money" – VHH, elderly*

> *"Reasonable charge, working well, why change?" – VHH, elderly*

And finally, they were asked if they had previously switched, before the recent price caps made this less beneficial, their gas or electricity provider on a regular basis.

> *"Something that I always take a look at when it comes to renewal. Keep an eye on it" – Pre-family, ABC1*

> *"I'd switch every year or whenever my contract was up" – Family, ABC1*

> *"You switch and look for the cheapest prices at the time" – VHH, elderly, financially vulnerable*

Switching here was predominately to do with price but other factors such as the use of renewable energy, brand perceptions or customer service ratings and the length of a contract also have or had a role in the decision making.

"I did look at renewable energy as one factor because I am concerned about that. Although a lot of it is to do with price but if I could find somewhere that was a little similar in price that had renewable energy, I would choose renewable" – Family, ABC1

"Cost, reliable and good customer service is what I look for" – Post-family, C2DE

"I also administer my mother's and my auntie's and I do look for good customer service for them, because they're a little older" – Post-family, C2DE

"We used to stick quite loyally, but as things go on, you know, with all the, with Martin Lewis, and all the other people sort of giving you all this information, it makes you really think about it" – VHH, elderly, LTC, low income

However, those least likely to switch are often those who are struggling most financially and therefore have less financial power to source the best deals. They also often choose to stay with a provider because they know how to access help if and when required.

"I'd have to get my mom to help me and it's just too much hassle. I would just stick with them. I've got the app, I know how to contact them and how to get to the right department" – Family, C2DE

The findings show that customers in other areas have made active and thoughtful choices to change providers, usually based on price but sometimes also taking into account service and/or the product attributes.

"We've looked for the effectively the most ethical providers say whether that's renewable energy or sort of ethical banking" – Family, ABC1

They are not passive consumers but instead are regularly making proactive choices, if they believe there is a strong benefit to them of doing so.

5.3 Why regularly choose the status quo options in the WTP survey

Respondents were shown in turn each of the five "Area 1: Serving Every Customer attributes" as a reminder of what the attribute description was and the choices they could make.

Respondents were recruited from those who have frequently opted for option 2 – no change in each of the five attributes but not everyone had necessarily selected option 2 for all the attributes shown, so once they had seen the descriptions again, they were asked various questions, including what option they choose and why.

Before exploring reasons for the choices made for each of the five attributes, the diagram overleaf provides a summary of the recurring broad principles behind the choices being selected.

A majority took each of the attributes in turn and made a decision based on the information provided as to whether they felt the service area needed improving and if the actions being proposed and the changes shown were worth paying extra for.

Many would like to see improvements but were also aware that each separate choice added to the overall bill. With limited budgets, especially in the current economic climate, respondents were often making choices based on the financial implications, either as they went through the survey or at the end when they were shown the impact of all their choices on their total overall bill. Respondents recalled going back and reassessing where they most wanted to allocate any additional spend, which tended to go towards nature, wildlife and environmental changes; areas and aspects they considered to be discretionary and in addition to the core services they expect to be provided.

And a minority of respondents, refused to agree to pay any more, even if they felt the service area could and should improve, as a matter of principle. They tended to want water companies to be renationalised. Rather than asking customers to pay more, for what they saw as the 'bread and butter' functions of any company providing a water and wastewater service, they repeatedly suggested additional money should come instead from what they saw as excessive profits, a reduction in shareholder dividends and from a reduction in executive pay and bonuses. For these reasons they refused to choose any option which asked customers to pay more, without any mention of senior executives or shareholders sharing any of the burden.

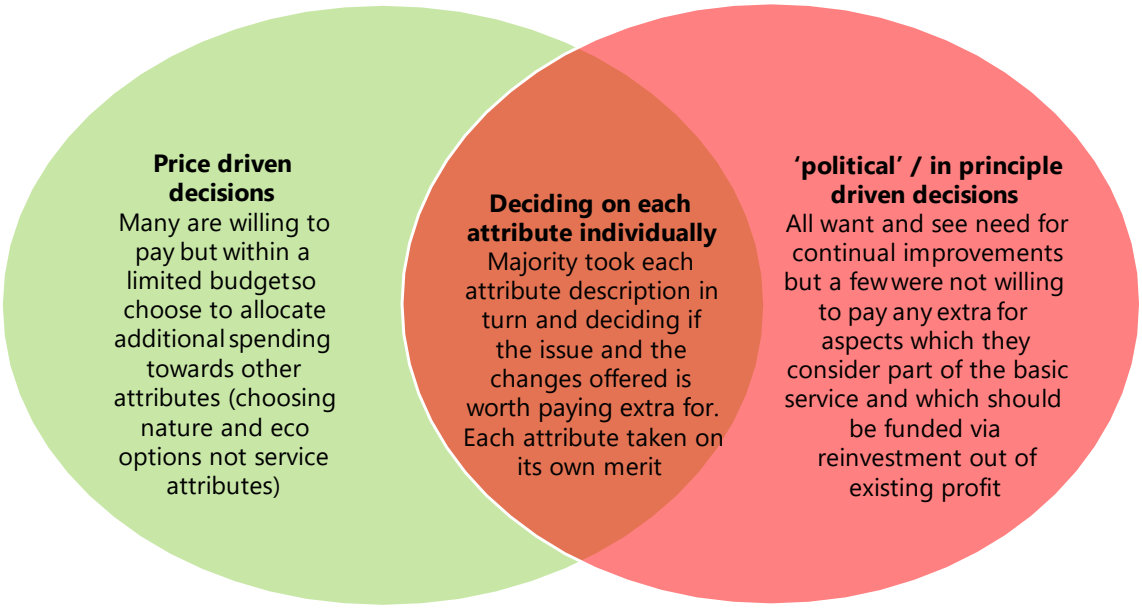
> *"My personal opinion is, I'm not sure if water should be something that profits, enormous profits are made off for shareholders anyway" – Pre-family, ABC1*

"They're making massive profits, people are struggling, us who can pay our bills are also struggling. So you know, they can give up a little bit of their massive profits and their massive bonuses to help those who are struggling more than we [other customers] can afford an extra three pounds on our bills" – Family, ABC1

"I said, I'm not sure I should pay for them, and that's partly because I actually don't believe that the water company should be a privately owned company. I think it should be state owned. Therefore, instead of playing shareholders, that money could be invested in the things that need to be done" - VHH, low income

"What we're talking about is improvements to the service for which the customer is going to pay … what is happening in Scotland, which is publicly owned, their water bills have gone down and general level of service and investment per household is much greater than it is in England. I feel that we ought to be really looking at perhaps having some guarantees from Wessex" – Selected no change for all

"They're supposed to provide good quality water. If they want us to pay extra for something that they should be doing anyway, they're out their mind. I wouldn't pay I wouldn't pay anything extra because they need to be doing their jobs. You know, you don't pay a secretary extra money just to type 100 words a minute. That's what she's supposed to do" – Selected no change for all



The broad principles above will be seen in the reactions to each of the individual attributes. We discuss the 'political' decisions and the broad price driven reasons but do not repeat these for every separate attribute – as they remained the same for each of the five attributes.

Taking specific reactions to each attribute in turn:

A: Reducing lengthy water supply interruptions

The issue: Every year some customers experience their water supply being cut-off for more than 3 hours due to planned or unplanned maintenance work such as repairing burst pipes.

Current situation: Every year around 1 in 65 properties experience their water supply being cut-off for more than 3 hours.

What could change: More investment, such as using technology to identify water bursts and repairing bursts more quickly would reduce the number of properties that experience this.

Choice:

	Option 1	Option 2	Option 3	Option 4
Response	1-in-40	1-in-65	1-in-80	1-in-220
Impact on Annual water Bill	Reduce by £1.00	No change	Increase by £1.40	Increase by £5.30

When asked directly, the written description was deemed to be clearly laid out and very understandable.

The choice to make and the financial implications were clear.

> *"I liked having the sort of the specifics there as well, it gets a bit worse and you pay a little bit less, it made it a bit easier to make a decision on that. Also saying pounds rather than a percentage makes it quite clear how it we will affect us" – Family, ABC1*

The comments and feedback suggest respondents could and did make an active decision, even if this was in selecting option 2 – to have no change.

As can be seen, respondents had a lot to say and a wide range of reasons for the choosing the status quo option.

Those who selected option 2 – no change offered a variety of reasons to justify their decision, indicating that this was a considered answer.

For some the change for the additional money being asked was not considered to be worth the extra costs.

> *"I opted for option 2 because I felt like the increase in money wasn't really worth the outlay" – Family, ABC1*

For others, they had never experienced a lengthy delay or unplanned interruption, nor felt that they were at significant risk of this happening.

> *"Probably quite flawed sort of logic but I based it off my own experience, because I've never had any issues, so [I chose] no change. It isn't something I see as a priority issue" – Pre-family, ABC1*

> *"I seem to remember being perhaps in my parents' home years ago and being without water for a while, but certainly not within the last decade can I remember it" – Family, ABC1*

> *"An increase would only be the price of a newspaper but it's not something that is a particular issue. It's very unusual to experience an interruption to water supply. If it was something that was happening every other week, I think we might well come up with a different response" – VHH, elderly*

> *"I answered these questions entirely selfishly. I can survive a day without water and that's how I answered it" – Post-family, C2DE*

> *"I went for option two because I have never had any problem so I'm not sure what can happen. Since I don't see any problems, I don't see why I would want to change it, but I decided I didn't want to get it worse for other people by reducing it by £1. Simply I haven't experienced any outage in my area" – Family, ABC1*

The rationale given above for not opting for option 1 (to save money but receive a small deterioration in service) was a recurring one; even if customers had not experienced the issue themselves nor expect it to cause them much drama if they did, they were generally reluctant to get a small saving but potentially make things worse for those who do experience, in this case a supply interruption.

For some respondents, with a greater level of disposable income, if the information had communicated that there was a significant problem which needed resolving, then they may have been more willing to pay something towards helping resolve this. But the information presented did not suggest that to them.

"If you know how the current situation compares, nationwide, or whether we're underperforming versus elsewhere that would influence my willingness to pay, if we were really doing badly then that is needed to be addressed but if this was to be expected, then in a system, this complex, there's going to be failures; and this might be an acceptable level of failure in the system" – Pre-family, ABC1

Those who had experienced a planned interruption felt they had always received sufficient advanced noticed, so they could plan for this. Or, if an interruption was unplanned, it did not have much impact on their lives and was easy to put up with. Therefore, the issue was not deemed to be an issue that needed improving.

"I've only had a supply interruption that was planned. So, I think there is a big distinction between a planned interruption and an unplanned one. Everyone knew it was coming, so it wasn't so much of a disruption" – Pre-family, ABC1

"We had a couple fairly recently, with work that's been done. We had a threat of another one that didn't happen. And they told us about it, said fine that's okay. There will be times where it will just go, you've got to live with it. Make sure there's water in the kettle and the filter jug and carry on" - VHH, low income

We will see as a recurring theme, many did not feel customers should be paying for investments in areas (such as infrastructure maintenance, product quality and customer service) that they would expect a water company to be doing with and from existing money from bills. This, as well as several of the other service attributes were considered to be the 'bread and butter' of what water companies should and are expected to provide, as a matter of course.

"I don't think necessarily that burden should be placed on the consumer, it should be absorbed within the company itself" – Pre-family, ABC1

"I mean, I'm all for service improvements but what should be the burden of the consumer and what should be planned for otherwise" – Pre-family, ABC1

"We pay not just for the water supply, we, well it should be we are paying also for the investment that they need to do for all the technology that they need for repairs, for them being ready for what they need to do" – Family, C2DE

"I think I pay enough for my bills. I'm on a meter so I know exactly where I am and what I am using. I don't think I should have to pay anymore; it [repairs and reinvestment] should be included in the money I pay" – VHH, low income

"The amount of profits that they make, and the amount of bonuses that they make, they should be doing this off their own back because they should be wanting to provide a service. They're paid to provide a service and that includes repairs. That is not up to us. That's up to them. And the amount of profit that they have made over the last three years would more than cover that" – Selected no change for all

"I'm sorry, anything to do with the services, the quality of the pipes that's their problem and their responsibility … we're paying for a service that we should be getting. We shouldn't have to pay more to get better service. We should be having a good service anyway for what we pay" – Selected no change for all

Moreover, customers were unwilling to pay for what they deemed to be a "sticking plaster" rather than addressing the underlying problem of the need to replace decaying infrastructure. Some customers would be happy to pay for improvements if they felt that they would tackle the underlying issue in the long-run. Hence, for some the *'what could change'* being presented was not enough to get them to believe the solution offered was worth the associated costs to themselves and other customers.

"This is asking, do you want your sticking plaster on quicker? The underlying issue is still not addressed. I'm an option 4 man because I think we should be investing. But actually, it's not simply sticking a plaster over the problem, we need long-term investment in renewing infrastructure" – Post-family, ABC1

"If Wessex Water keep putting a sticking plaster over the problem and don't invest, well that would be their problem and that's their fault. I could go completely the other way and say I'm not going to pay for the improvements because you haven't maintained it. If they're saying, would we mind paying for better infrastructure? The answer is yes. But if they're not going to do that and just continue putting sticking plasters on, well then that's their problem not mine." – Post-family, ABC1

A few customers were also cynical as to whether the increase in bills would be used to target the improvements that Wessex Water alluded to. Even where customers deemed the changes necessary, there was a reluctance to increase the bill without guarantees that the money would be used in the ways suggested.

"I think, in principle, most of these issues are purely sensible and beneficial provided I was confident that it actually would happen and that was verifiable, then like the others I'd probably go for option three. But I just don't know so I'm going to stick with no change" - Post-family, C2DE

> *"I'd like to see some improvement, but I'd like to know they're doing it before I get charged more" – Selected no change for all*

A minority had selected to pay more for this option, again giving clear reasons for the choices that they made.

> *"Three hours for me without water with two very small children is not something I want to experience. So, I think I probably went for option 3" – Family, ABC1*

> *"I would go for option 3 from the perspective that I have disabilities and it would be a real problem for me if my water supply was cut off for a large length of time" – post-family, C2DE*

A few respondents mentioned here, although more raised it after seeing a few more of the attributes, that they had made decisions, which they went back and reassessed once they had seen some of the other options, which they felt were more 'deserving' of funding.

> *"I didn't think on this question, three hours was not an excessive amount of time if you did lose your water, I know it's an inconvenience, but I didn't think in the grand scheme of things, it was too bad. I chose no change so that I could use my budget on other things where I felt more committed like cleaning up the rivers" – Pre-family, ABC1*

> *"I went back and adjusted some answers because if I wanted to do all these things that I actually had strong feelings about the bill was just crazy, more expensive. So, you know, some things you had to be a bit more straightforward with. I went back at the end to sort of prioritise what I really did care about" – Pre-family, ABC1*

> *"Other things like environmental issues, river water quality would be a higher priority for me" – Post-family, ABC1*

B: Improving water quality

The issue: Occasionally the quality of tap water in the region does not achieve the standards set in the Water Supply Regulations.

Current situation: Of the 29,000 water quality tests carried out per year, around 25 fail. These failures could be at a customer property or in Wessex Water's network affecting a larger number of customers.

What could change: Investing more to protect our water sources and reservoirs, to reduce the effect of lead pipes on water quality and working with customers to reduce the impact in their homes will reduce the risk of water quality failure.

Choice:

	Option 1	Option 2	Option 3	Option 4
Response	Around 50 test failures	Around 25 test failures	Around 15 test failures	Around 10 test failures
Impact on Annual water Bill	Reduce by £1.60	No change	Increase by £1.30	Increase by £2.70

The decision for this attribute appears to have been relatively easy and quick for respondents to have made. No-one wanted the water quality to be of a low or lower standard but nor did most perceive there to be a significant issue from reading the description.

Their own experiences led them to believe that water quality is currently high and not something which really needs additional investment.

> *"It was easy. For me again, I wouldn't want it to be below standard, but I trust it enough at the moment. So that made it a bit more easy, do I currently trust it? Yes, so [I opted for] the same" – Family, ABC1*

> *"You're not going to get it down to zero. And actually, I think water quality is quite good anyway" - VHH, low income*

The number of water tests which currently fail (around 25), compared to the number of tests undertaken (29,000) made respondents feel the chances of a problem was extremely small and therefore not something worth paying more for to reduce the number of failed tests (especially as the reduction in failures from 25 to 15 or 10 was viewed as making only a small difference).

> *"Of them all I was least interested in this one – doesn't strike me that this needs changing, seems a reasonable assessment and this wasn't one I'd prioritise" – Post-family, C2DE*

"I chose option 2 because the cost benefit of reducing it by 10, or 15 and when it's such a small percentage of the overall amount of tests carried out in a year that fail] it doesn't feel like it warrants any changes. Around 25 test failures a year seems small, so I don't think it needs to affect people's bills to get it nominally down" – Pre-family, ABC1

"I mean, 25 out of 29,000 is not in my opinion that bad. I mean, my opinion might change if I knew how badly these are failing, if it's awful then I might feel differently about it but it doesn't seem like a bad figure to me" – Family, ABC1

"As everybody say, it's a very small percentage. It's one [test] in a thousand the failure, so I was not that concerned, especially as the quality [of the drinking water] in England is very good. So I was not so worried" – Family, ABC1

"I chose like one or two. Just because 25 of 29,000 is a tiny, tiny, tiny fraction. And like even if you know make it slightly better or slightly worse, it's still a tiny tiny tiny fraction. I don't think it makes that much of like a visible difference." – Pre-family, C2DE

"Obviously, we'd all like that to be zero but I didn't feel that a reduction to just 15 failures warranted a £1.30 increase across everybody's bill" – Selected no change for all

There is an acceptance that if so many tests are being done that some of these tests will fail. The difference between 25, 15 or 10 out of 29,000 was such a small difference that most did not see the benefit in paying more to reduce the risk only slightly, when the risk is already deemed to be extremely small.

"To go from 25 failures to 15. What does that actually achieve?" – Post-family, C2DE

"I sort of feel like it's never going to be foolproof and there's always going to be some failures and 25 just didn't seem that bad" – Pre-family, ABC1

"It's a certain degree of logic, you can't eliminate failures completely. This seems to be pretty good as it is" - VHH, elderly

And some respondents chose no change because their over-riding desire is to keep their bills down.

"Also now at this moment with all the situation with the energy bills going up around 200% maybe more, we try to keep the bills low" – Family, C2DE

C: Reducing internal & external sewer flooding

The issue: Every year some customers experience sewage flooding which can be internal (inside their properties) and/or external (in their gardens or on their property).

Current situation: Each year around 1 in 7,700 properties experience internal flooding and 1 in 625 experience external flooding.

What could change: Investing more in activities such as technology to respond to issues more quickly, and working with customers to prevent sewer blockages (e.g. education about what not to flush down the toilet), will reduce the number of incidents.

Choice:

	Option 1	Option 2	Option 3	Option 4
Response	External: 1-in-575 properties Internal: 1-in-7,000 properties	External: 1-in-625 properties Internal: 1-in-7,700 properties	External: 1-in-700 properties Internal: 1-in-8,300 properties	External: 1-in-800 properties Internal: 1-in-9,300 properties
Impact on Annual water Bill	Reduce by £0.50	No change	Increase by £3.30	Increase by £8.00

Where was a lack of any direct experience of this happening to themselves or anyone else they knew, therefore the perceived risks, albeit horrible for anyone affected, were considered to be very low. This was further emphasised by the numeric chances shown.

> *"I believe it's unlikely, I've lived here 8 years and I've never seen one" – Family, C2DE*

Some participants had experienced this issue, either themselves or people they knew. However all of the experiences noted the situation was dealt with quickly by Wessex Water, and therefore felt even without any change in investment that the situation was likely to be quickly resolved.

> *"I've never experienced flooding or whatever from the sewer. However, my brother has, moving into a new property they had an external drain that overflowed and it turned out the previous owner had been putting things like wipes and stuff down the toilet. The response that they got when they contacted Wessex Water was very good. It was dealt with very well, they came out and sorted it. So I went for no change, if it happens and it's dealt with, okay, then maybe I could deal with it" – Family, ABC1*

> *"My Nan has got a sewage stream that goes through the garden that they've had leaks through, like multiple times in the year, and they've always come really quickly fixed it, they've actually left her garden nicer than it was before.*

So they seem to be quite on it, as it is. So maybe not worth the extra" – Family, ABC1

For some the reduction in risk was seen as minimal, without a significant change they did not see the benefits justified the additional expense.

"Similar reasons, the increase in price didn't seem to change the figure [reduction in risk] that much" – Family, ABC1

"It seemed to me like a lot of change in the increase to the bill for not a huge reduction in risk" – Family, ABC1

Participants were slightly more likely to have chosen option 3 for this attribute, due to various well-reasoned arguments. In particular, the potential for property damage or the psychological impact of a sewage flood was a strong reason for improving the situation.

"Water outages is quite an inconvenience, but this is actually potentially damaging your property. And that's probably more something you'd be more inclined to do something about that" – Pre-family, C2DE

"No, not me. But I have known someone that has experienced sewage flooding. And I think psychologically for them, it was hard to shake it off. You know, it was raw sewage" – VHH, low income

But again some saw this type of improvement in the infrastructure as something which should come out of the normal bill, and be part of the basic service, rather than asking customers to pay more.

"When they make your bill, it should cover looking after the services that they give to us. I'm pretty sure they know what they need to do and what they need to improve. In this case we are [already] paying for these services that should occur anyway" – Family, C2DE

The comments given show that respondents had read and considered the options carefully, making choices based on the actions being suggested, which often were seen as rather minor compared to making the significant infrastructural changes they perceived to be really needed to help alleviate the problems. Whilst not willing to pay for the 'what could change' offer in the attribute, some could see that a significant infrastructure upgrade would require investment which they might be more willing to contribute towards, that the changes being described in the survey.

"I chose option 2 because what could change was the response on time and working with customers to prevent to blockages. So I didn't feel like there was much there really" – Family, ABC1

"If it's historical, because the pipes are 200 years old, then maybe we do need to take an extra couple of quid onto our bill because, like they do need to replace all those pipes. And, again, they shouldn't make too much profit, but it feels like it would be a bit more fair for them to therefore ask. Whereas if it's educational, then it's presumably going to mainly happen to the people who aren't being very sensible. And therefore maybe we all shouldn't pay for that" – Family, ABC1

Customers also felt that the increase in bill was not justified by the proposed improvement.

"It's a large extra cost for option 3 for little extra improvement" – Post-family, ABC1

"Looking at it practically rather than emotionally, the amount of money for the improvement just doesn't seem worth it" - Post-family, C2DE

"On the other things, things like education, when you send a water bill out, you can send people educational material for nothing. So I don't quite see how it's that expensive. And the benefits don't seem to be proportionate" - VHH, low income

"It is as if they think we're all idiots. If you take option three, with 2.8 million customers, they make £9.2 million and for that they're going to educate people about what not to put down the loo. Seriously, I've lived in third world countries where they know what not to put down the lop. You don't need £9 million to teach people" – Selected no change for all

There was some doubt that education would have a significant impact, given that most felt people should already know what not to flush down the toilet and therefore, those doing so don't care and won't change their behaviours from seeing an information campaign. So, the activities being suggested were not seen to be worth paying extra for.

"I think what could change seems a bit more sort of the responsibility of the individual, that's why I went with no change" – Family, ABC1

"I think it's common sense that people know what to flush and not flush down their toilets and what not to put down their sinks and all that. Everyone knows

what to do and what not to do, it is wherever they choose what they put down their sink or not down our sink" – Family, C2DE

"People should know what to flush down the toilet, its common sense, I don't think you need to be educated about that. It's not my problem if people don't know what they can and can't flush" – VHH, low-income

"I think the people who don't know at the moment what they shouldn't put down a toilet are never going to learn … so I thought it was a waste of time" – Selected no change for all

Some customers were particularly reluctant to pay for improvements to internal flooding, which they perceived to be self-inflicted.

"Internal flooding is a blockage somewhere between your loo and it leaving your house. Only if your blockage is further downstream is when you get external flooding" - Post-family, ABC1

"We could all just pay more and it'll go away for a while but we need to address the underlying problem. I agree with the others, more responsible back onto the customer" - Post-family, ABC1

Knowing more about the scale or the impact of the problem did make some feel it was worth paying more to try and tackle this issue, but even then, the increase in the bill was considered to be quite high for what activities were being suggested.

"I chose option 3 because some months ago I watched a documentary about fatbergs. It's basically people flushing wet wipes and nappies down toilets which I found unbelievable, but people do … so I think that many people are not aware of what you can flush. Maybe £3 per household is bit too much, but I think it's money well spent if you avoid blocking the sewers" – Family, ABC1

After seeing several of the attributes and discussing the choices made, respondents remembered making choices individually and then often re-evaluating these (as they could do at the end of the survey) in light of the collective total increase their choices would have to their annual bill.

"The money in your wallet has a limit. You can hope ideally that would fix all this problem, but we have to live at the end of the day" – Family, ABC1

When re-evaluating where to allocate any additional investment they were prepared to make, those who had gone back and readjusted their choices mentioned that the

options they tended to retain paying more for were ones to do with environmental improvements.

> *"Take it on its own option 3 doesn't seem out of reach, doesn't seem outrageous in terms of the overall bill. But then when presented all of the questions together and then you're faced with that number [impact on total bill] at the end, it forced me to really look at my choices again" – Pre-family, ABC1*

> *"There were more important ones like to protect the environments., I remember going through and at the end it was £30 more so I decided to change my choices" – Family, ABC1*

D: Helping customers experiencing financial difficulty

The issue: Due to financial hardship some customers struggle to pay their water bill.

Current situation: It is estimated that around 80,000 customers in the Wessex Water region (around 6.5%) currently struggle to pay their water bill.

What could change: Increasing bills would mean Wessex Water has more money to help customers who are struggling to pay their water bill, so more customers could be helped through water saving advice and discounted bills.

Choice:

	Option 1	Option 2	Option 3	Option 4
Response	88,000 (7.2% of households)	80,000 (6.5% of households)	68,000 (5.5% of households)	12,000 (1% of households)
Impact on Annual water Bill	Reduce by £2.20	No change	Increase by £3.00	Increase by £17.60

Customers are not aware that they already pay a cross-subsidy, so the choice to pay more was very much new information to digest. However, it was also the attribute which they had the most to say about, with a wide variety of reasons given for the choices made.

This attribute generated strong opinions around who should count as being 'worthy' of any financial help, along with 'political' principles of if and who should provide financial aid.

For some the underlying premise of asking customers to subsidies and help pay the water bills of those who can't pay seemed odd.

> *"Maybe I'm misunderstanding the logic but if there's an increase in bills for customers, everyone's bills increase by £3, so that's going to put more people into hardship, not less. So, I'm not quite sure I agree with the logic of increasing bills by £17.60 is going to mean fewer people struggling, surely that's just going to increase the number of people struggling?" – Pre-family, ABC1*

> *"I felt like it was a bit of an odd question because if you're increasing people's bills, more people are going to struggle to pay their bill. So, I just kind of felt like it was a bit of a strange one for me" – Family, ABC1*

> *"Then the monthly bills are then gonna go up, then more people won't be able to afford it and it's just gonna be a vicious circle going round and round. Everyone's trying to get bills down" – Family, C2DE*

"I think it should be the good conscience of Wessex Water rather than asking their bill payers how best to solve this problem" – Selected no change for all

Customers in vulnerable circumstances often chose option 2 – no change, reporting that an increase in their bill would put them into financial uncertainty, and they would be one of those needing help.

"Would be nice to think you could help out families who were struggling, but again, I'm one of those people who would be at risk" - VHH, elderly

"I would struggle with an increase so I would be inclined to leave well alone" – VHH, elderly

Some did not feel it was their role to subsidise others, especially those they see as 'spongers' or 'feckless', although this is often expressed in a way in a focus group setting as not to make them appear as 'hard-nosed'.

"I'd be willing to help people who were genuinely struggling. Whereas if you've got somebody who is struggling to pay their bill, but is making other poor decisions, then why should I pay more? So, I might have put option two, just because how would you define somebody struggling to pay is quite difficult" – Pre-family, ABC1

"Some people just use too much water in my opinion. I'm quite a savvy person, I've got a water butt, I use my bath water to water my plants. So, if everybody had that knowledge maybe you can use that. I don't think anybody else should be helping them out" – VHH, low income

"I don't think it's fair for the rest of the public to pay for, for bills that people can't pay for themselves. There are some genuine cases but I think we all know the benefit system" – VHH, elderly

Some customers were conflicted between those who really needed help and those who they deemed to be irresponsible with their money. Some say they would be happy to choose option 3 for genuine cases of hardship but opted for option 2 because they did not believe all those who would be receiving help were, based on their personal definitions, deserving of this.

"I know someone who is on a very low income and I also know people who have Deliveroo and meals out every week, vaping. For the genuine cases I would go for option 3, my gut reaction would be to help them out" - VHH, LTC

"Because of the balance between the financially poor and the people who don't spend their money wisely. There is a tension that makes it difficult. That's the toughest one so far" - VHH, LTC

"Some people really don't help themselves, in my opinion. And I'm not willing to help those people, I'm afraid. So actually, I went for like, no change. But I appreciate some people are in financial hardship. And they actually are possibly the people who do far more wasting than most people do. So I was, you know, dreadful that I went for no change" - Post-family, C2DE

Before receiving a discounted bill, a few, who themselves are on water meters, felt customers who are struggling to pay should reduce their consumption and therefore how much they pay. Based on their own experiences, they felt others could save money by moderating their own behaviours.

"I chose option 2 because I think there is a way to save water if you want to. And consider that my family our bill is less than £30 per month and we use water as much as we want to do, I mean we are careful of course, so I think that it should not be that difficult to save some water if you need to reduce your bill" – Family, ABC1

For some, although not against being charitable, they felt it should be either Wessex Water themselves (through making smaller profits, paying lower dividends and/or reducing executive pay), Central Government or Local Authorities who should be incurring the financial burden rather than directly asking domestic customers themselves.

"It's not something that the consumer should be asked to cover in my opinion. I'd like to see where Wessex Water's profit distribution and financial structuring because it's not necessarily profit and where the money is going for them to be able to make the claim that Wessex Water needs consumers to pay more for them to help other people. There's also the element of surely this should be dealt with through taxation from the government" – Pre-family, ABC1

"If we can all help a little bit, then yes, fantastic. However, if Wessex Water are making considerable profit, then perhaps it needs to be falling to them to invest a bit more. So yes, we want to help but I mean to a degree" – Family, ABC1

"It doesn't seem like you should charge customers more to create a hardship fund for other customers, when they are paying shareholders profit. And the salaries of some of the top execs, there are ridiculous salaries for some of the CEOs of water companies across the country, more than a couple of million for some of the worst offenders. And you're asking people to put their bills up to

create a hardship fund. The burden, I don't think should be passed back to us, because that seems unfair" – Pre-family, ABC1

"Wessex Water is a business if people can't pay their water bill, that's a government issue" – Post-family, C2DE

"I agree on principle, I don't think it should be the job of a water company. It's my understanding that work and pensions pay for income support to avoid people being cut off. I don't think that's an issue for a company to get involved in that sort of thing" - Post-family, C2DE

"I'd rather help people who are struggling with their bills in general in a more targeted way, as in donating to something like you know, food banks or those sorts of organisations, instead of trusting that if I give Wessex Water some extra money on my bill, but they're actually going to use that for good causes, you know, they are a profit making organisation. Why would I hand them money to help other people, instead of handing money to a charitable organisation" – Family, ABC1

"I think the straight answer to this is quite a simple one, that Wessex should contribute to the social tariff directly from their profits. I'm 100% in favour of helping people through hard times but I don't think that Wessex themselves are doing enough, they could do more, they could reduce their profits" – Selected no change for all

Some of the views expressed reflected the strong reactions this attribute, and Wessex Water asking customers to pay more for this generated.

"It's morally repugnant that they don't volunteer to do this for people. People are struggling, and they can help, but they want us to pay for it. Again, it's disgusting when 2% of their own personal bonuses would cover it" – Selected no change for all

A few felt paying 'welfare' in this way only hides the level of poverty in the country / region and that there would be more pressure of Central Government to make significant changes if the real level of hardship was truly exposed.

"I found this quite difficult to answer because it seems to me a bit idealistic but it seems to make sense if it's all factored into one. If it was all done centrally, the whole situation can be taken into account" – Family, ABC1

"If someone doesn't have £20 pounds a month to pay for their water provision, then they need much more help than just paying for water. So I think it would

be more efficient for other institution to help these people that get into these situations" – Family, ABC1

Therefore, for this attribute, some of the reasons for choosing the no change option were down to bigger picture principles and political philosophies.

Despite the views expressed, there was little desire to choose option 1.

"Might as well keep it the same, so the same number of people that they would help can be helped. There's no point in saying less and being selfish in a sense and then people who need it can't get the help because the funding isn't there" – Family, C2DE

Others choosing to pay more also expressed reasons to suggest they had made a considered choice.

"I went for option 3. I think I looked at it in a different way. I can pay my water bill, I have no issues, you know, with paying it. So increasing it by £3 a year for me personally, doesn't really affect me. But if it means that many other people who are experiencing problems with paying their bill have some help, then it seemed worth it. However, the next one up option 4r, don't get me wrong, I'd love to be able to go yeah, great let's get it down to 12,000 but the increase of £17.60 is a bit more of an effect. So I went for three" – Family, ABC1

"I went for option 3. On the basis that this does feel like something that if you can afford to increase by a little bit, the benefit of it being seen is quite wide, even if it's not for you. But option 4 is just too, I think as a percentage of the whole bill is too much" – Pre-family, C2DE

"For an extra three quid, like helping an extra 12,000 households. That's pence, isn't it? That's worth it" – Pre-family, C2DE

The reasons given for choosing either option 2 or 3 suggests respondents did clearly understand what they were being asked to pay for.

E: Improving customer service

The issue: To provide excellent levels of customer service.

Current situation: For customer satisfaction, Wessex Water is currently rated top out of 11 water & sewerage companies in England and Wales.

What could change: Greater investment would mean Wessex Water can provide a better service and be amongst the top companies across all sectors (not just water companies). This could be through a better online experience, keeping customers better informed when there are problems, and responding to incidents more quickly.

Choice:

	Option 1	Option 2	Option 3	Option 4
Response	Slower response times to phone calls and incidents	Current standard of customer service	Better online access and incident updates	Better online access and incident updates, plus faster response times to incidents
Impact on Annual water Bill	Reduce by £1.70	No change	Increase by £3.60	Increase by £7.10

Relatively few had experienced any problems or had any reasons to contact Wessex Water. There is an expectation that any large company will have good customer service and a variety of ways to contact them.

> *"I went for option 2 because I think the service is amazing. I've personally haven't had to ring them before. I've all done it through the app. So, I'm happy to stay as no change" – Family, ABC1*

> *"I would have thought the current standard was acceptable, reasonable. Option 2, no change. If they maintain the level of customer service, that level is good" – VHH, elderly*

> *"It's not a brand that I would associate with, you know, bad experience" – Selected no change for all*

Therefore, the attribute is viewed as offering a solution to an area of service which is not expected to be a problem.

Amongst those who have had a reason to contact Wessex Water (or knew others who had), the levels of customer experience, as highlighted by previous examples and comments in the report is already considered to be very high.

> *"I think it was one of the easier ones to get to a quick decision. For me option 2 because I personally have had good experience reaching out to them, it was quick, it was good. So it doesn't need to improve too much. And in comparison*

to some of the other questions less of a priority, given that already the performance is really strong" – Pre-family, ABC1

"Because twice I've had to call Wessex Water out because of the drain, it was sorted out the next day, they were dead on time, very helpful, very efficient, quick, and they sorted it out so personally in that respect I've got no issue" – Selected no change for all

The information presented said Wessex Water is currently already rated as the top water and sewerage company in England and Wales.

So, respondents could not see a strong rationale for paying more for something which is already very good.

In addition, good levels of customer service is very much seen part and parcel of any businesses offering and part of their cost of doing business, rather than something that requires extra investment from the customer.

"If they're number one, they're obviously doing something right. And why do they need to compete with companies outside of the water market? They're the main competitors, why do they need to prove themselves in a different field? And I mean, realistically, better service. What's that going to translate as, I don't interact with them that much" – Pre-family, ABC1

"At the moment it's already rated well for customer satisfaction and whenever I've had dealings with myself, it's been fine" – Family, ABC1

"I think the current service is very good, it's part of their deal. I don't think I need to pay more to get better, you know, online access and instant updates" – VHH, low income

Some (usually younger) participants were willing to reduce their bill and accept lower levels of customer service, however the majority wanted it to stay the same and reasoned that the saving was not worth a reduction in the already excellent service levels.

"I like the fact that, you know, rates are top, and I've always had a really good service. And I think for me, the, again, if I'm going to be saving £1.70 over 12 months. I don't feel that's enough of a saving to risk if I do need to get hold of them having a worse experience personally" – Pre-family, C2DE

"Option 1, to be honest, I think I've had very good customer service from them, I can live with it being a little worse" – Pre-family, C2DE

> *"I've been really pleased with customer service when I have had to deal with them. I think I might even have gone for option 1 on this. Not because I want them to give less good service, but because it is so good already that potentially that would help offset some of the other things I'd like them to spend money on elsewhere" – Family, ABC1*

In comparison with the other 10 attributes shown, this one was viewed as the one which was relatively less important to increase spend on.

> *"I said I'd like to spend more money on improving or reducing sewage into river discharge but in order to do that, I ended up with a big bill at the end of it. So this was one of the ones that, you know, if they're rated in the top three out of the water and sewage companies, that's still pretty good, so I'd rather increase my bill in other areas" – Family, ABC1*

There is a strong consensus that striving to achieve high customer service was something that any top company should be doing and that customers should not have to reach into their pocket for this benefit.

> *"I didn't think this was a priority. And it's something that the company should be doing themselves, rather than asking their customers to pay to improve their services. So I'm happy with the service. So it's not a complaint about the service, it's more that it wasn't a priority to improve it. I think things like environmental issues are far more important than customer satisfaction" – Post-family, C2DE*

> *"Wessex Water should be working on faster response times anyway, not something that merits an extra charge" – VHH, elderly*

6. Key findings – Bill Phasing Research

Initial research about preferences for how water bills should be phased over the next 25 year, to pay for significant investments to be made between 2025-2030 has been undertaken with general household customers in the same sessions as discussing the reasons for choosing the options they did in the willingness to pay survey.

A small number of depth interviews were also conducted with non-household business customers.

The initial qualitative findings are shown below. These will be supplemented by a robust quantitative survey in September.

6.1 Household customers - broad overall reactions

For some general household customers, there was some confusion, with them believing that the level of activity Wessex Water would be able to undertake would depend on first receiving the money from customers. Unlike the non-household respondents, they did not understand that the higher overall costs from paying less in the first 5 years is accounted for in interest payments.

It will need to be clearly spelt out in the quantitative survey, that all the scenarios shown would result in the same amount of activity being undertaken and completed in the first 5 years – the choice to be made is how this money should be paid back over the next 25 years.

The main focus is on the start of the graph, with a short-term view prevailing and impacting on attitudes.

The impacts of Covid, recent changes in utility bills, recent changes in the rate of inflation, increases in the cost of living all appear to have made people less certain about long-term planning and more focussed on the short-term.

Reactions to and preferences towards the different scenarios tested are impacted if respondents:

- Do not expect to still be alive in 20-25 years' time
- Expect they will (or won't) be living in the region throughout this time
- Are generally positive or negative about their own current and perceived future financial situation
- (for many household customers) their general attitudes as an individual to household debt and borrowing money

- Trust big corporations to keep their promises and deliver on the activities they propose – there were calls for guarantees that any additional funding from increased customer bills would be ring-fenced for specific significant additional investment only.

With an investment of £1 billion there is an expectation that customers in the region will see physical and tangible engineering changes – this in itself will provide evidence and proof that the money is being used and making a difference. Although not part of the research directly, it suggests it may be useful to have some distinct branding for large-scale engineering projects (e.g. Wessex Water building for the next century) and information (e.g. communications on the water bill) or even itemising the additional investment (akin to the police and fire precept on Council tax bills) to help communicate that a significant step-change in investment is taking place, what is changing and the benefits this is or will deliver.

Scenarios 1 & 2 and scenarios 5 & 6 were viewed as being very similar to each other – with reactions focussed mainly on the shape of the bill phasing rather than on the monetary amounts shown (i.e. whether it meant paying a lot up-front or keeping it as steady as possible over-time). Are all 6 scenarios required in the quantitative survey?

Many expected to see one scenario which was a straight line over the whole 25 years - which is indeed what many have a preference for.

There is some cynicism that over 25 years there will be a need and a demand for additional investment, so the bill phasing shown may not really show the actual picture.

Unprompted very few mentioned anything to do with the principle of intergenerational fairness – those who did tended to be older and mentioned being unlikely to be alive in 25 years, therefore wanting to pay less early on – rather than any principle of fairness per se.

To determine attitudes in the quantitative survey regarding intergenerational fairness will require some clear, prompted and very explicit questions.

Many asked what contribution Wessex Water and shareholders would be making – the burden of an increased bill for customers is expected to be shared by lower profits and smaller dividends.

6.2 NHH business customers - context

Business appears to be going well for most participants (although based on only 12 depth interviews), even though many are now operating differently due to the results of the pandemic. All were well established businesses and have operated for a number of years.

Office based businesses tend to use water for: toilet facilities, tea and coffee, cleaning and a few have showers. Most felt that they have reduced their usage now compared with a couple of years ago due to hybrid working.

For some, water was an essential ingredient or part of the service provided i.e. used in manufacturing (product creation) or hairdressing.

Some larger users have changes planned to reduce water usage, as it is so high.

> *"We have invested significantly in a plant that will minimise waste water" – Manufacturing and retail, Large, Water dependent*

Very few of the participants were aware of their precise bill amount; as expected, larger were more likely to know than micro or SMEs.

Water & sewage bills tend not to be a major expense for most businesses, especially where they are not used as part of a specific business process and especially in comparison with other utilities, where businesses have experienced recent major increases.

> *"It [water] is the cheapest bill … nothing compared with gas, electric and oil … I don't know why energy has gone up so much" - Service, Small, Not water dependent*

> *"It actually seems cheap to me for clean water, not like electric which has definitely gone up. It's just a small part of the overheads of my busines" – Real Estate, Small, Not water dependent*

Most felt that their bill was value for money.

> *"It's one of those things that we pay for but don't appreciate how important it is. In my mind if I compare it to electricity or gas I don't feel it is unreasonable. We really couldn't live without water so I feel it is good value for money" – Financial Services, Large, Not water dependent*

"We are a global business in 50+ countries and so we see the constraints that other markets have with water availability and pricing, so water for us is nothing to be honest. It is such a low cost in terms of our operational expenditure and the rates are very fair" – Manufacturing and retail, Large, Water dependent

"I always think water is too cheap for what it is, as a resource. If you compare it to energy it's cheap, especially where it is used as a major ingredient in manufacturing a product" – Manufacturing, Large, Water dependent

Few appear to shop-around to change their water & sewage retailer as their current bill is not a major concern for most. As such, most buy directly from Wessex Water.

All claimed to be very satisfied with the service received and very few had ever had any problems or interruptions. Those that had, appreciated and couldn't fault the communications from Wessex Water.

"I think the water industry is way behind gas and electricity in terms of robustness of billing and systems to support, for example, business movement or new systems, but we speak regularly with Wessex Water and we work through any inefficiencies. It is as good as it can be given the tools that are out there, especially the retailer side. Some other water companies we deal with are somewhat predatory" – Manufacturing and retail, Large, Water dependent

"Wessex Water are better than other water providers in the UK that we deal with. I only get involved if we have a problem such as surrounding trade effluent consent" – Manufacturing, Large, Water dependent

6.3 NHH business customers - broad overall reactions

Most business customers appear to be aware of the current and future challenges that Wessex Water are facing and as such, seemed to appreciate the need for future investment. All seemed to accept that Wessex Water's customers would need to contribute.

Larger rises and drops in bills will tend to be more noticed by business customers; in contrast more gentle rises and falls would tend to be accepted more readily. At the moment, water bills tend to be unnoticed by many businesses, causing fewer budgetary problems than other overheads and costs, and this ambivalence could be maintained by slower rises and falls.

All would like the investment paid equally over the full life-time of the investment, rather than front-loaded during the first 5 years. If this is not possible, then as near to this as is possible is desired.

There were no issues with the overall bill cost being higher, with the smoother profile. The preference would be for a smaller year on year increases or decreases and the avoidance of dramatic movements.

Most businesses, especially smaller ones, do not think in 25 years planning cycles and often think 1 year ahead or some a maximum of 5 years; especially in light of the recent challenging business environment.

Generally, scenarios 1 and 2 were acceptable to most, due to the lower up and down bill gradients, with 3-6 being generally and increasingly unacceptable due to higher start positions and larger drops in bills.

6.4 Reactions to each bill phasing option

Before being shown 6 different potential bill phasing options, respondents were told the following:

In previous research customers have shown a willingness to pay for significant investments to improve the service Wessex Water provides, such as improving infrastructure, preventing sewer flooding, reducing leakage and improving river water quality.

Wessex Water will be making £1 billion of investment over five years from 2025-2030 which will be paid for over the following 25 years.

The investment will have an impact on customer bills from 2025 and be paid for over the period 2025-2050.

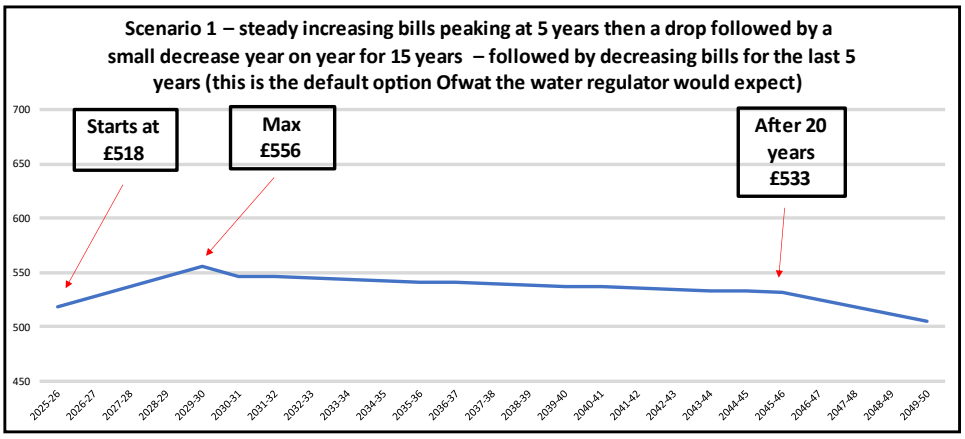
This investment has been agreed by Ofwat, the regulator for the water industry – the question in this research is to find out how customers want to pay for this investment over the next 25 years in a fair and appropriate way.

We will show you a number of options as to how bills might be phased over the next 25 years to pay for this investment.

The scenarios I will show you are all based on an average household bill of £500 which is what they are estimated to be in 2025 [£1,500 figure for the non-household customer bill scenarios].

The figures shown do not include the effects of inflation or other costs that may be included.

The descriptive text used and the profile of the bill on the charts was the same for the household and non-household customers but the figures in pounds (£) differed. The stimulus used for illustrative purposes below is that used in the household research.



- Total additional amount to pay back over 25 years would be £876 (based on an average household bill of £500 per year)
- The extra additional amount to pay back is the **second highest** of all the scenarios (lowest £661 and highest £900)

Household customers

The initial focus was on the small increase on the average bill which was seen by most as manageable. The £18 increase per year on the average bill was seen by ABC1 households as being a manageable amount.

> *"£18 pounds over a year is not, you know, that much" – Family, ABC1*

> *"The initial increase isn't too much and it gradually increases to the maximum then you'd have a sudden, sudden dip and then gradually it goes back down but the only thing would be like you say not taking into account for inflation, and other things that could happen over that long period of time" – Family, ABC1*

However, even at this level of increase, those on the edge of struggling financially were concerned. This was amplified even further when they saw scenarios 3, 4, 5 and 6.

> *"Well, I don't see how they expect people to afford that on top of rising cost of living, I really don't" – Family, C2DE*

There was a recurring question over whether this would be the only major increase in bills over the 25 year time period or whether lots of other 'investment needs' would actually mean the bills in reality did not fall after, in this case, five years.

Even though this was seen by most as manageable many respondents still asked for a guarantee, that the bills would decrease, when reviewing this or one of the first three scenarios – but this became even more prevalent when seeing scenario 5 & 6.

> *"I don't feel like it's significant, not in comparison to how Gas and Electric have increased in such a short amount of time but what's the guarantee it would even stick to that pattern? It's a very long-time scale" – Pre-family, ABC1*

Even with potentially paying £18 more on an average household bill, based on making a £1 billion investment, respondents wanted and expected to visibly see physical changes, to show that the extra monies they were being asked to pay were quickly making a significant difference.

> *"A billion pounds over five years in a localized area, you'll start to see the building work and some of the impact of it. So whilst you are paying more, if you see that work being done, you perhaps feel like it's worth paying extra" – Family, ABC1*

Many wanted to see the other scenarios before they passed judgement on how they viewed this one, in comparison to the alternatives.

> *"We're paying a bit more upfront now and it tapers off as we get older. What are the other profiles because without seeing them, I can't say if I like the look of this one" – Pre-family, ABC1*

A steady repayment was preferable, particularly to vulnerable customers.

> *"It feels like the most painless way of doing it. I'm already having to watch my bills because of my state pension. With this scenario, I will have paid my contribution and then it'll start coming down as I start getting older and frailer. So it just seems more logical for my age" - VHH, elderly*

"I prefer this one because it has one of the lowest financial impacts year by year. I manage with things as they are" VHH, elderly

Customers who were more well-off initially felt that the payback was too long on scenario 1, but later indicated that this was perhaps a fairer approach when considering those who may struggle to pay significantly higher bill payments.

"This is peanuts. I would triple the initial cost and pay it back over a 5 year basis" - Post-family, ABC1

"These are not big differences. I might resent paying it all but that's a different question. I don't think it'll cause a great deal of pain" - Post-family, ABC1

"People on lower earnings it'll have a massive impact on" - Post-family, ABC1

"Well, people like to know what they're going to be paying they like stability, and this does seem a little more stable than others" - Post-family, ABC1

Some respondents also asked, after seeing other scenarios, if the level of repayment had an impact on how much could or would be delivered within the first five years – this may need to be clearly spelt out in the subsequent quantitative survey.

Others also wanted to know more details of what sort of activities would be delivered for the additional £1 billion investment. Having some actual tangible and specific activities (especially around infrastructure investment and environmental issues) may help them visualize why customers' bills will need to go up to pay for this and also help them grasp the concept that the future customers will also reap the benefits of the investments being made.

NHH business customers

Scenario 1 was generally the most favoured scenario, though only narrowly over scenario 2. This was because it was seen as the most steady and stable increase, with no single large jump and would present the least issues for businesses of all sizes.

"I don't see anything there that frightens me" – Financial Services, Large, Not water dependent

"Paying more money in the long run is not great, but I do think there is something to say for it being a steady ongoing payment. For myself and other businesses alik,e we like to know what that payment is going to be" – Hairdresser, Micro, Water dependent

> *"To me it looks fine, in relative terms to us, an extra 10% is fine. It's better than a single jump in one year" – Manufacturing and retail, Large, Water dependent*

However, even this scenario was not seen as the ideal for businesses: even more predictability and a flatter line would be preferred at the current time when they are facing so many other financial challenges.

> *"I'm guessing one of the other scenarios I'm going to like better, something that will be more of a flat line" – Financial Services, Large, Not water dependent*

> *"It's quite a sharp rise into the £1700s, you know to go up so much. I know that isn't until 2029 but everything is steadily rising" – Financial Services, Large, Not water dependent*

> *"It seems pretty expensive, even on an average bill. I'm looking to retire in the next 5 years and I'm not really impressed to be honest that seems expensive" – Financial Services, Large, Not water dependent*

> *"Why have they got to have peaks? Why can't they just have the same cost all along, I just don't understand that. It is complicated, they need to do a lot of explaining about why" – Real Estate, Small, Not water dependent*

Many businesses only think 1 year ahead up to a maximum of 5 years; and the recent challenging business environment means that even 2025 seems a distant point to many businesses. One business even suggesting that it would be easier to accept if it could start sooner!

> *"My only comment is start a bit sooner – 2025 seems a long way off" – Manufacturing and retail, Large, Water dependent*

The ongoing cost of living crisis and impact of inflation had a strong impact on the views of business customers. As further overhead and cost increases are expected, this scenario was considered to be the most sensible approach to budgeting, allowing businesses to 'get through' in the short-term and worry about the long-term later, even if that means paying more overall. This was true of all types of business regardless of size, water dependency, growth plans, or how established they are.

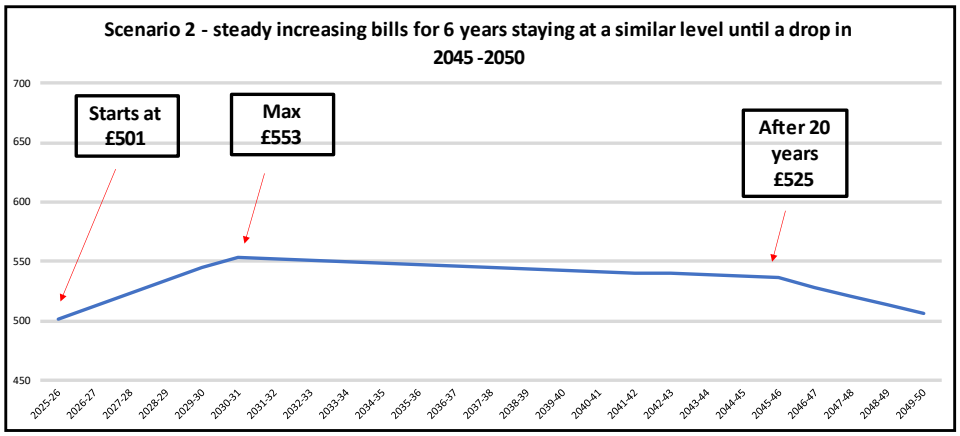
> *"The thing is although it's saying the maximum will be £1,738, by that point prices will have risen so it will be nowhere near that. When the prices rise again with this on top that would be really daunting to some businesses" – Financial Services, Large, Not water dependent*

"The thing is we aren't talking large sums but larger sums than we are used to. It won't cripple us but I think it's not ideal with all the other costs going up" – Real Estate, Small, Not water dependent

Generally, in comparison to the other scenarios, this was considered to be the most acceptable option regardless of the amount paid back being higher:

"I don't think this one would have much effect on most businesses … most would integrate this" Service, Small, Not water dependent

"Even though it's the second highest of all scenarios as far as paybacks go, it feels like a steady, equal amount that is easier to get your head around" – Hairdresser, Micro, Water dependent



- Total additional amount to pay back over 25 years would be £900 (based on an average household bill of £500 per year)
- The extra additional amount to pay back is the **highest** of all the scenarios (lowest £661 and highest £900)

Household customers

The second scenario was viewed as being very similar to scenario one.

"It's not that different is it really? I don't feel like it's a big enough difference that any of us would, over that period of time, notice so, either or" – Pre-family, ABC1

For some, the focus in on the short term, hence they have a desire to pay as little as possible to start with.

> *"To be honest, I would always go for pay low now because no one knows what's gonna happen in the future. There could be another Covid. Sorry, but why on earth would I want to pay more right now?" – Selected no change for all*

For those with extra money, who could afford the previous £18 increase on the average bill, they felt paying a little bit more straight away was more appropriate in order to cover the initial costs of the investments.

> *"But I think should it be a higher increase to start with? So you kind of get used to it, then" – VHH, low income*

The difference overall of paying back £876 or £900 over 25 years was seen as negligible, and not something commented on until prompted. Indeed, very few talked about the overall total cost when shown the information but instead focussed on what their bills would be in the first few years.

Once respondents had seen scenario 1 and 2, compared to other scenarios where the initial bill increase is considerably more, several started to discuss the increases in combination with other increases in the cost of living. Seen from this perspective, options 1 or 2 were seen as being bill increases which may be easier for many households to manage in the current financial climate.

> *"Bearing in mind the greater situation that we're in at the moment, thinking about the way bills are going elsewhere, I think a lot of people might prefer to start lower at the moment, pay less now, and hope that by the time they're paying more things have settled down elsewhere" – Family, ABC1*

> *"If we're in stable work that you kind of be hopefully better off year by year so that you're kind of more equipped to deal with things going up" – Pre-Family, C2DE*

> *"I think personally I'd probably go for option two starting a bit later just for my personal circumstances having little ones at home that actually by delaying the increase and I've got more time to get them to a point where they cost me less in general" – Pre-Family, C2DE*

> *"Yeah, the cost of living is going off the chart now. And utility bills are just getting ridiculous. So I think everybody's watching every penny. It might be short term. It probably is. It probably will be more expensive, long term. But I think a lot of people looking short term at the moment, especially in my age group" – VHH, low income, elderly, LTC*

NHH business customers

Scenario 2 was viewed as being very similar to scenario one. Initial reactions tended to be of ambivalence between the two, and that it wouldn't make much difference financially in the first 5 years. However, the plateau after the maximum was again considered to offer greater stability to businesses, which is important to them.

> *"It's the same as the first one really but just more expensive" – Real Estate, Small, Not water dependent*

> *"You pay more, right, which is a negative, but it does give you better stability after that, when it's at that maximum period and plateaus out – or roughly plateaus out – it means that you should be able to keep an eye on your budgeting for it" – Service, Small, Water dependent*

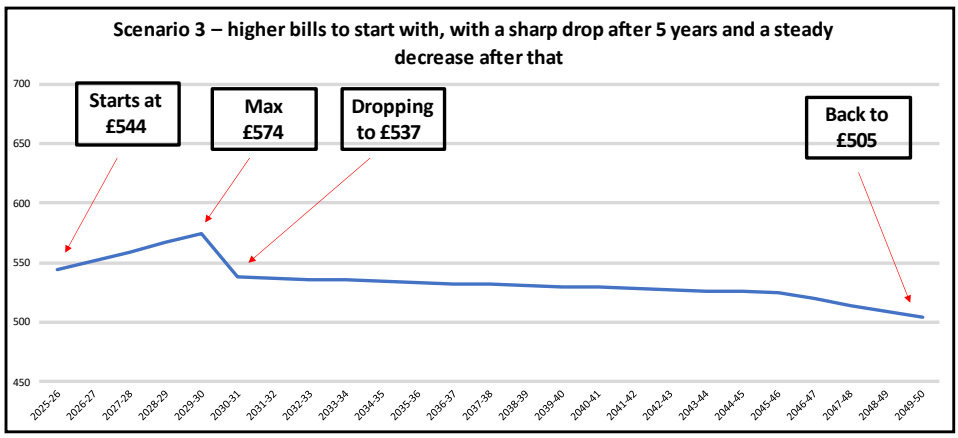
Due to the relative financial similarity between scenarios 1 and 2, even the perceived benefits of the speed of the change, could swing the balance. Again this suggests respondents are thinking carefully about their preferences but potentially making decisions on a false assumption – the quantitative survey will need to very clearly spell out that the level of change will not be affected by the amount customers are willing to pay in the first few years.

> *"These are similar for us, I'd go with whichever one helped to accelerate things the quickest" – Manufacturing and retail, Large, Water dependent*

But when pushed some businesses felt it was more of a jump up (from a lower starting point) when compared to scenario 1 and also rises over 6 years (instead of 5), hence extending the period of greater financial pressure.

> *"It's a little more of a jump up but if you worked it out as a % it is pretty minimal amounts. It goes up for 6 years though" – Financial Services, Large, Not water dependent*

> *"I still prefer scenario 1, but for a business of this size the impact of the costs increasing wouldn't be a major shock. Not compared to the costs of other materials and packaging" – Manufacturing, Large, Water dependent*



- Total additional amount to pay back over 25 years would be £840 (based on an average household bill of £500 per year)
- The extra additional amount to pay back is the **third highest** of all the scenarios (lowest £661 and highest £900)

Household customers

There was some support for this scenario. With reactions and comments very much being the result of individual's circumstances, rather than being based on principles of intergenerational fairness.

Those who could afford it often wanted to pay more up-front because that is how they view any personal debt or borrowings.

> *"This is probably starting to look more like the profile I would choose if it was, taking on a loan. I'd be keen to pay off a larger amount early on, in order to try and reduce the impact long term. That's closer to my personal approach to finances" – Family, ABC1*

There was a belief that the money used to pay for the investments would come directly from the increase in customers' bills, without any understanding of how large-scale projects would be financed. So many supported paying more up-front as they believed this would translate into more 'building' activity early on.

> *"I mean, for me, because it's easier for me to pay my water bill, you're talking about a £4 a month increase in your bill. If you see a quicker response to using the money and see things developing and things working better, then it might be more appealing to me" – Family, ABC1*

However, those with less money in their pockets, who are feeling the financial squeeze from other rises in the cost of living, felt that this scenario was considerably

worse that scenario 1 or 2, simply because it involved having to pay a bigger bill up-front. If they rejected this scenario on that basis, the subsequent ones were even less appealing.

> *"I feel like that one isn't very appealing given the current situation. I think if we didn't have the cost of living crisis we have, maybe people would look at it in a different way and think, oh, well, there's the initial cost, but then look how quickly it will drop off. Whereas because things have gone up so significantly, I think the last thing people need now is even more rises" – Pre-family, ABC1*

> *"I think it's quite a big increase for people, a lot of people are struggling at the moment, bumping this up by £70 or £80 seems a lot of money when a lot of people are struggling" – Selected no change for all*

This scenario was the first one where a few people spontaneously raised questions about intergenerational fairness. Although the vast majority did not think in this way and had to be prompted to think about this as an issue to consider.

> *"How do you convince people that this is in the long run good for them, when realistically these people could eventually end up moving out of the area and into a new water company and not have access to all of the upgrades that have been done. In my head, the one that is easiest to market is the one where it's a small increase because you don't feel the pinch quite so heavily. It might mean that overall, you end up paying more but in real terms, your bill isn't going to go up massively, so I think that [scenario 1 or 2] is the easiest to cope with and would probably take my vote rather than having crazy upfront costs" – Pre-family, ABC1*

When looking at all of the attributes, many customers found the drop in prices attractive, but could not justify the initial increase.

> *"Scenario 3 appeals to an extent because it is marginally higher at the front end and then you do get that drop" - VHH, LTC*

> *"Not much different to one and two but over the period you are paying less. Why should we be paying more than we could?" - VHH, elderly*

NHH business customers

Scenario 3 tended to be one of the least favoured options, with businesses instantly picking up on the higher starting point and increased maximum value. Businesses

felt that this would cause more budgetary problems due to the initial 5 year steep rise.

> *"Not too happy with this one: would prefer a more gradual rise … bit too dramatic" - Service, Small, Not water dependent*

> *"I think for a business like this the smoother the transition the better, purely because of budgetary calculations and future cost planning and stuff. Options 1 and 2 are better because they allow for better budgetary control and planning" – Manufacturing, Large, Water dependent*

> *"We are doing ok but a lot of salons aren't and with the predicted financial situation coming towards us then I think those big bills up front would be really upsetting for a lot of businesses" – Hairdresser, Micro, Water dependent*

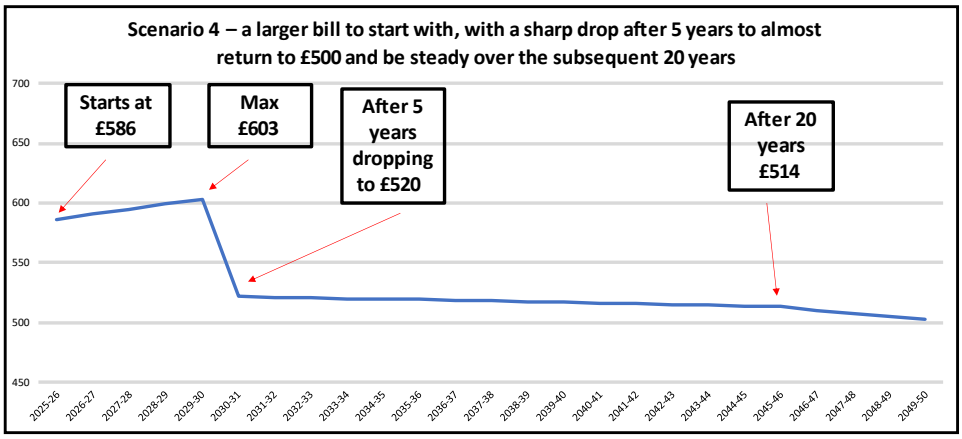
Despite not favouring this option in comparison to the flatter approach of scenarios 1 and 2, a minority of businesses did say that this option would still be affordable. Larger businesses particularly could be inclined to go for this scenario, but even they decided it would be more convenient to have a more consistent monthly bill.

Cynicism emerged about the steepness of the drop, with some businesses raising questions as to whether that is a viable eventuality: many were suspicious that water bills would or could ever go down once raised.

> *"It makes me suspicious seeing these. It starts higher and higher then drops but in 5 years' time would we ever see that drop?" – Real Estate, Small, Not water dependent*

Also the large rises and drops would raise questions for some businesses on a utility bill that normally does not raise any concerns.

> *"I think any large increase followed by a drop is more suspicious, more open to debate … there would be more questions to what this is all about and less controversial" - Service, Small, Not water dependent*



- Total additional amount to pay back over 25 years would be £781 (based on an average household bill of £500 per year)
- The extra additional amount to pay back is the **third lowest** of all the scenarios (lowest £661 and highest £900)

Household customers

When presented with the bigger initial increases in average bills, respondents started to ask about what guarantees there would be that once bills had risen, that they would then go down to the levels shown.

> *"Would there be like a guarantee of the drop in price as well because it's very well showing graphs that they're going to drop the price after five years. If they go, everyone's paying us more money, why do we need to drop the price. That's just big companies, not necessarily Wessex Water but what would be the benefit to them in dropping the price if they're the only supplier?" – Family, ABC1*

> *"If I get a guarantee that after five years the bill will go down, a guarantee, like 100% sure, it will happen, then I can go for this one" – Family, C2DE*

The scenarios with a large initial increase also led some to dislike the idea of paying large amounts upfront without any guarantee the proposed activities would take place or be effective. They saw less risk for customers in scenario 1 or 2.

> *"I'm pretty averse to anything except for the slowest, steadiest increase in bills because to me, there's no guarantee that this work is ever going to be completed. And there's no guarantee that goalposts aren't gonna be moved. If you really front load it with huge deposit, essentially, pay lots up front, that's a lot of pain for potentially very little gain in the long run" – Pre-family, ABC1*

Although the drop was attractive to customers, the initial high costs were problematic, especially for vulnerable customers.

> *"The increase over five years on [scenario] 3 and 4 is just astronomical, like those first five years. Like, that could cripple someone" – Pre-family, C2DE*

> *"The drop off is attractive but that's 5 years into whatever the inflation is going to be. There are going to be serious cost pressures on household budgets" – VHH, elderly*

> *"It would make it more difficult to meet the payments for me" - VHH*

> *"I couldn't tolerate the bill going up by that much. No way I'd consider it at all. That high of a hike would make me really struggle financially and then I'd be at the point on your other one where I'd be amongst the people who are looking for help" – VHH, low income*

Older customers, particularly those struggling financially, were reluctant to accept higher upfront payments when they were unlikely to reap the benefits of the drop.

> *"I might be dead by then, so I wouldn't get the benefit of the decrease so much" – VHH, elderly*

> *"I may not be around by the time it gets to the cheap bits anyway. So I don't favour a sharp curve at the beginning" – VHH elderly*

> *"With the big rises and large drop offs they're trying to entice us. They want the money earlier so they can go off and do the investments, and then you'll be rewarded with a big drop, but I won't get the benefit of that because I won't be here" – VHH, elderly*

Others mentioned that a sharp increase would mean they would be more demanding of better service, and want to see the investments taking shape quickly.

> *"If [scenario] 3 or 4 were to happen, I really want to know what that money was being spent on. And I think I'd be more annoyed at Wessex for not having the choice as to whether that happened or not, it sort of just feels like a big impact on your bill, but it might not be clear as to what actually you're getting for that. Whereas the others feel a lot more gentle and sort of just like they're maintaining things and yeah, I think I'd be happier with the other options a lot more" – Pre-family, C2DE*

NHH business customers

Scenario 4 started to provoke genuine fear, particularly amongst micro businesses, about affordability and looked 'shocking' in comparison to the previous scenarios. The starting point was too high a jump up from the current average bill, the max was seen as a very high point, and the steep drop was again questioned.

> *"We don't know what the economy is doing and if something starts shooting up on top that could be drastic. For small companies or high users that could be really detrimental. At the end of the day you've got to pay it but it would be more of a squeeze" – Financial Services, Large, Not water dependent*

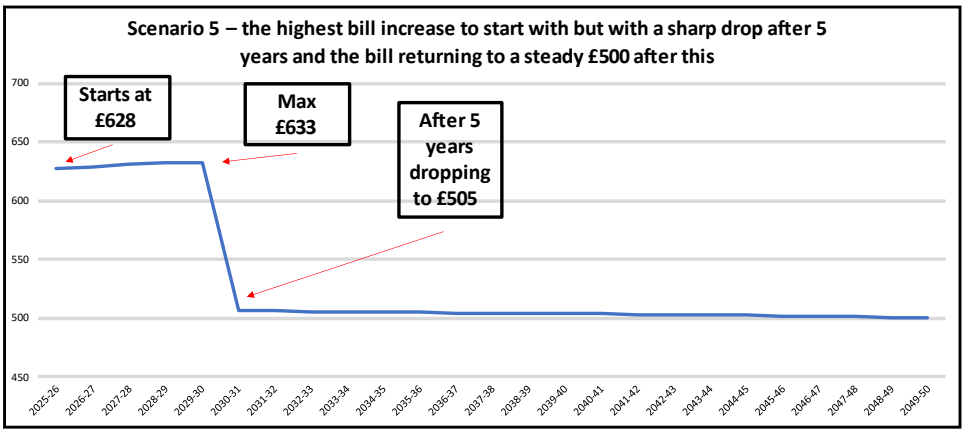
> *"The only reason I would consider this one is if more could be invested in sooner and more could be done. Priorities change though and so I'd still go for not taking the huge initial hit" – Manufacturing and retail, Large, Water dependent*

> *"All this false promising that it will suddenly reduce, you can't even predict 6 months let alone 5 years. We aren't idiots" – Real Estate, Small, Not water dependent*

Some businesses also felt sceptical that paying more up front wouldn't translate to seeing the benefits at that point. The benefits of a considerable financial outlay would need to be visible. A few recognised the potential appeal of these high starting points for Wessex Water, but failed to see any convincing benefits to the bill paying businesses.

> *"You are paying a little less overall but you are having to pay a high rate up front. You are also paying before you are really seeing the benefit. If you can see the benefits I think you would accept that rise slightly more, but if you can't then that would put people off" – Financial Services, Large, Not water dependent*

> *"Too dramatic … having all the money upfront is very nice for Wessex Water … but maybe open to question" - Service, Small, Not water dependent*



- Total additional amount to pay back over 25 years would be £721 (based on an average household bill of £500 per year)
- The extra additional amount to pay back is the **second lowest** of all the scenarios (lowest £661 and highest £900)

Household customers

Some were quick to point out that this represents a 25% increase in the water bill, which was seen as really high and something they might expect from gas and electricity providers but not from their water company.

Even, those who may be able to afford the increase, saw this scenario as causing problems for others, who may be less well-off.

> *"Given that we have got a cost of living crisis, I just don't know why anyone would choose this option, unless they were filthy rich. You know, you've got to think of other people and there's obviously a lot of people that would probably struggle with that" – Pre-family, ABC1*

> *"I think the big factor here is the economic situation at the moment, making this unviable for majority of households. I just think it's, it's an unreasonable ask at this time" – Selected no change for all*

Even those who in principle like to pay any debts off as early as possible, recognised this scenario is likely to be unaffordable for many.

> *"That sounds really appealing but I think that would really push a lot of people, particularly at the moment, it would be potentially quite difficult. Seeing, as we were asked the question earlier about giving extra to support those people struggling, I can't see how making this decision would help. In fact, it would push more people into struggling, I imagine" – Pre-family, ABC1*

"If it was affordable for me, I would prefer that option. But like we said at the moment, we don't know what's going on in the economy in general. And I think for a lot of people, that would be too much of an increase" – Family, ABC1

"It's so uncertain as to which way people's finances are going to go. Although its suggesting that the bill will drop off after 5 years, I'm not necessarily confident that they will" – VHH, elderly

Paying back £721 compared to £900 in scenario one, over the 25 years was not really picked up on. The focus was on the large bill increases over the initial five years.

"I think starting lower and yes, it might cost more over time but I think the sudden hit is not what a lot of households need at the moment" – Selected no change for all

Only once seeing this more dramatic scenario (than some of the previous ones) did a few people start to mention that this would be unfair for anyone who lived in the area for 5 years and then moved, and unfair for those living in the area who would pay for all the investment in a short time span should others then move in and reap the benefits of the investments which they had not contributed towards.

"I think spreading the cost to everyone who is going to live in the area is a good thing" – Family, ABC1

"That's something I hadn't considered to be honest. As people will be benefiting from it in the future, who aren't paying now. So perhaps spreading it out over those years is the fairest way to do it, rather than getting everybody to pay for it right now" – Family, ABC1

"I don't think people who are paying over the initial five years should pick up the majority of the tab for the long term 25 year benefits that hopefully everybody should receive from that extra investment" – Selected no change for all

People alluded to the lack of certainty with the way the world would be in 20 years time and were reluctant to accept costs this high, when the cost of living is also increasing.

"People are struggling now, more people are struggling at the moment and they are gonna have more difficulty with it. We don't know what's going to happen in the future" – VHH, elderly

"It's so uncertain as to which way people's finances are going to go. Although its suggesting that the bill will drop off after 5 years, I'm not necessarily confident that they will" – Post-family, ABC1

"I also don't think this scenario is really credible. That sharp drop, I just don't see it happening, the interest rates are going to go up. So the cost of borrowing is going to go up. I don't see that anybody would be in a position to drop their prices that much" – post-family, ABC1

"We don't know really what's going to happen next 20 years, I mean, we can only really think about the financial situation over the next couple, which we have a bit of an insight into. And I think the direction that we are seeing at the moment is not going to be fun for a lot of people" – Selected no change for all

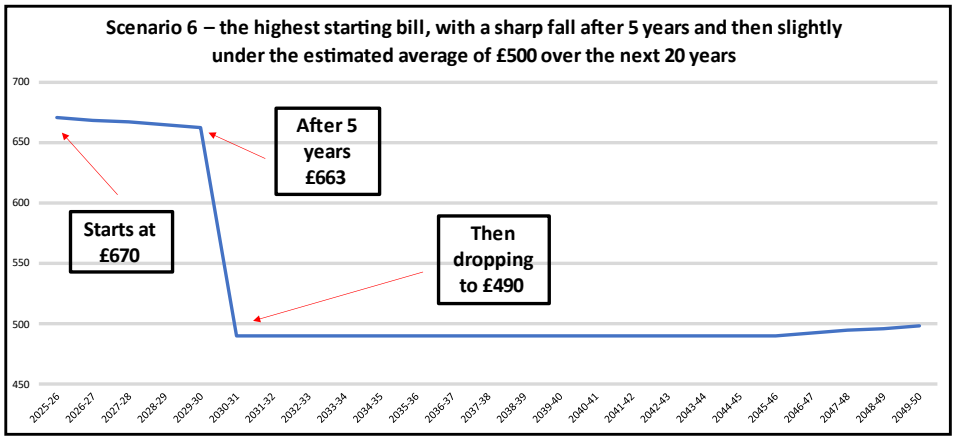
NHH business customers

By scenario 5 all businesses felt that there would be a significant impact on them, with the multitude of rising costs they will also face. Smaller businesses couldn't see how it was viable and larger businesses felt they would have a really hard time discussing that with their accounts department. Again, there was scepticism around the significant drop off in 2030 too.

"I wouldn't promise it is going to come down again, I just don't see that will happen with inflation. I'm sceptical as this feels like a promise that it will be so much less after 5 years and I don't see any business that would want to take on that huge hit this decade" – Manufacturing and retail, Large, Water dependent

Some businesses did reference uncertainty over business continuity in relation to the increasing higher payment amounts.

"The risk of having huge payments up front and less later is that you never know how long you are going to be in business. Mine isn't a big global business so a more equal approach seems fair to a small business like mine. I might not be there to see the benefits" – Hairdresser, Micro, Water dependent



- Total additional amount to pay back over 25 years would be £661 (based on an average household bill of £500 per year)
- The extra additional amount to pay back is the **lowest** of all the scenarios (lowest £661 and highest £900)

Household customers

Scenario 6 was seen as a more extreme version of scenario 5, with the same reactions and comments being applicable.

> *"How you can put the onus of that on people when they don't have a lot of money at the moment. How can you say, we're going to knock your bill up from £500 a year to over £600. In terms of inflation and pay rises, I don't think people are going to be able to stomach that, so, it seems a terrible idea" – Pre-family, ABC1*

> *"As a customer I'm always trying to save money in the beginning or in the end but this one is compared to the other option [scenario 1] is quite high. We are talking about £670 which is a lot of money" – Family, C2DE*

> *"Personally, I'd prefer scenario six, in the sense that you just pay it get it done. However, looking at it realistically, and logically, I think I'd probably go three or four, just because the increase isn't as bad at the beginning" – Family, ABC1*

Very few picked up on the potential £239 saving over 25 years between scenario 1 and scenario 6, although those who did recognised that compared to scenario 1 this only amounted to saving around £10 a year – which was not seen to be considerable over the time period.

NHH business customers

Scenario 6 was seen as a more extreme version of scenario 5, with the same reactions and comments being applicable. Dramatic increases or decreases are simply not accepted by businesses amongst so many other unpredictable costs and overheads.

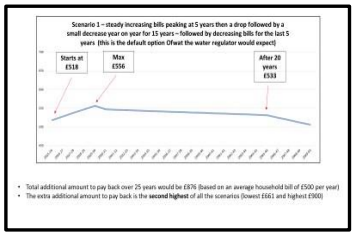
> *"5 years is an incredibly long time for any type of business to lock in to those increased payments. It's hard to predict things – how customer demand will be, or needing to move premises, or many other challenges businesses face. Any model other than those first two aren't manageable, the smoother the better" – Manufacturing, Large, Water dependent*

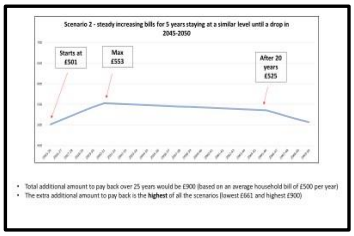
Paying back a lower amount over the 25 years was not considered to be worth the 'pain' of the early high payments. The benefits of it being manageable in the shorter term were greater than a cost saving over the 25 years. Few businesses plan that far ahead and so what they are paying back over that time feels a distant consideration.

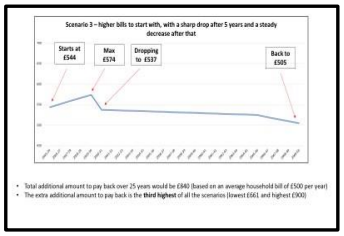
> *"Of course paying less back over 25 years is good, but 25 years is such a long time for a business. The fear of those big early payments is greater, a small business can't guarantee it will be having a good few years" – Hairdresser, Micro, Water dependent*

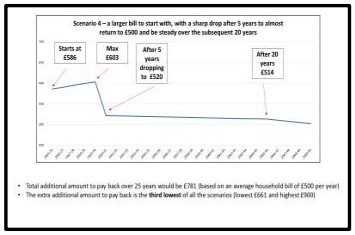
6.5 Preference for bill phasing option

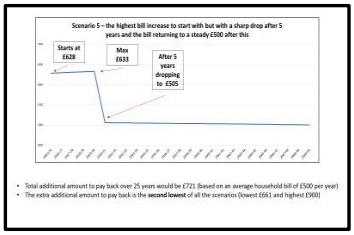
All 6 potential bill profiles

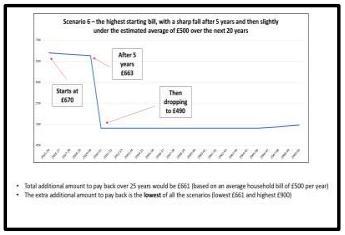












Household customers

After reviewing and commenting on each of the six scenarios, respondents were asked which of the bill phasing options they would prefer, and which one would cause them most problems or challenges.

The majority felt scenario 1 or 2 were potentially the better options, despite them resulting in paying back the highest total amount at the end of 25 years because if bills actually never dropped (which some cynics expect – with other investment needs being found) at least the increase in bills would only be small compared to scenarios 4, 5, or 6.

Most went for scenario 1 or 2 as it would result in the lowest initial increase in bills and the most consistent steady bill after that. This makes it easy for households to budget. The 'flatter' the bill profile the better for most, indeed many asked why there was not a straight flat horizontal line option!

> *"I'll just go with the first one because it's pretty steady. There are not huge fluctuations as such" – Pre-family, ABC1*

> *"For the same reason that I gave before because the affordability. In my case, in the next five years I want the bills to be as steady as they can be" – Family, C2DE*

> *"Who knows where we're going to be in five years time" – Selected no change for all*

Those who are financially vulnerable strongly wanted to avoid any additional pressures on their finances in the short term.

Even if respondents themselves could afford the suggested changes, many commented that the current cost of living crisis is making it difficult for others, making scenarios 3,4,5 and especially 6 seem inappropriate at the moment.

Scenario 1 or 2 were also seen to be the fairest way to spread the cost across all those who would benefit, although this point was made by far fewer than the previous one – most people viewing their preferences through their own individual needs and wants, rather due to any principle of intergenerational fairness.

> *"Scenario 1 or 2, probably one to be honest. Because I think that's fair, because in all of that 25 year period you've obviously got a lot of people leaving and coming to the area. I think it keeps it, you know, quite fair for everyone" – Pre-family, ABC1*

> *"It is fair that future customers pay something for these improvements because the benefits, they are long term, there will be benefits for them as well" – Family, C2DE*

The potential cost savings from scenario 4, 5 or 6 were not deemed to be significantly worthwhile by most to warrant choosing these options.

Any of the scenarios may be easier for customers to assess if they knew that the increases they are being asked to incur, were also being matched by company profits and shareholders.

> *"I would be willing to consider scenario three, if I felt confident that we were going to see the changes have an impact within that timeframe. And if the consumer wasn't the only person carrying the burden of this upgrade, but it was actually the corporation looking at its spending elsewhere on salaries or on shares, or whatever it may be, that we're sharing the burden" – Pre-family, ABC1*

NHH business customers

After reviewing and commenting on each of the six scenarios, respondents were asked which of the bill phasing options they would prefer, and which one would cause them most problems or challenges.

All businesses stated a preference for option 1, or possibly 2, the smoother the better being a key factor in budgeting in the future. A strong preference exists for smaller year on year increases or decreases and the avoidance of dramatic increases or decreases.

> *"Scenario 1 lets companies budget more. Most budget or forecast on a yearly or two yearly basis and it keeps things quite steady. To jump up to £2,000 that would just be wow. It's rising but not enough to break the bank" – Financial Services, Large, Not water dependent*

> *"Option 1 is best for us, small incremental increases for 5 years can be absorbed relatively easily. A huge jump up is hard to discuss with accounts!" – Manufacturing and retail, Large, Water dependent*

Interestingly, few businesses spontaneously mentioned that any of the scenarios felt unfair. However, when prompted a minority did question the fairness of existing

customers paying more than future customers: many saw future customers benefiting from the extra investment, yet not paying for it.

> *"I hadn't really thought about that I was assuming that if a new business set up in 10 years then they would start at the beginning of the chart" – Financial Services, Large, Not water dependent*

> *"I suppose selfishly if I sell the business or retire then the costs have increased for me and it will be better for the new owner" – Real Estate, Small, Not water dependent*

But most accepted that this was 'just life' and that the changes needed financing now.

> *"The moment you become a user you demand a certain quality and expect the services are being handled in the correct way. I'd rather these changes are made sooner and so if we have to be one of the businesses that pay a bit extra now then fine" – Manufacturing and retail, Large, Water dependent*

> *"I think that's just life, what can you do to mitigate against that" – Manufacturing, Large, Water dependent*

However, businesses do feel strongly that Wessex Water needs to be transparent and clear about why these increases are occurring and what benefits there will be for bill paying businesses such as themselves. This would help to counter some cynicism evident amongst the business community.

> *"Wessex Water are a massive company and a profit company and in our area we hear a lot of adverts about Wales Water being not for profit. So when we hear prices are going up that makes people sceptical, and Wessex Water will have to be clever about how they sell it and really push the benefits" – Financial Services, Large, Not water dependent*

> *"If paying all that extra money in the first 5 years I want to see where that extra cash is going to be going. That is a huge influx of cash" – Real Estate, Small, Not water dependent*

Accountability is key and businesses are more likely to accept rising bills if they fully understand where their money is going, how it is being used to improve services (especially services that help businesses with their kind of water usage), and whether Wessex Water is failing to make any of the improvements it set out to make.

> *"If I'm … paying more for it – significantly, potentially – I don't, I personally don't have a problem with that. And as a business, we wouldn't have a problem with it. But it's got to be accountable. And you've got to be able to, you gotta be able to go back to them go, actually, no, you failed – you've absolutely failed on that" – Service, Small, Water dependent*

Providing this information sooner rather than later would also be of benefit to businesses, both to enable budgetary plans to be made but also so that support can be given where possible. The latter was mentioned by large businesses in particular.

> *"If there are incremental rises over a five year period, we want detail on where that investment is going to be spent. It's just nice to have a reason why and so we can support what needs to be done" – Manufacturing and retail, Large, Water dependent*

> *"Would there be a plan for Wessex Water to share plans in advance, so I can pre-warn the business over the next couple of years that this or that may happen. Before it kicks it would be helpful to know" – Manufacturing, Large, Water dependent*

Also linked to transparency, some businesses queried how the additional costs would be broken down in bills, and felt that it would be helpful to know the amount or percentage that was going towards specific improvements.

> *"How would they show that on the billing then? Would they just put the price of the water up or would there be a separate charge? I think to differentiate between the water supply cost and what was going towards structural changes would be really helpful. So we can see the actual value and it doesn't just look hidden in the cost. A percentage on the bill perhaps that says this has gone towards whatever" – Manufacturing, Large, Water dependent*

> *"Businesses that use the most water would be the ones that pay the most for significant infrastructure improvements, and to increase quality of water and etc. So, yeah, I have no problem with it … but it will be interesting to see where it's applied on the bill" – Manufacturing and retail, Micro, Water dependent*

Project details

Project number: SKILL02-9076

Location: Qualitative_Status_Quo_and_Bill_Profiling_Report_v1.docx

Date: August 2022

Report status: Final Draft

Approved by: Richard Bryan

Authors: Nick How

Comments: to nick.how@qaresearch.co.uk

This research has been carried out in compliance with the International standard ISO 20252, (the International Standard for Market and Social research), The Market Research Society's Code of Conduct and UK Data Protection law.

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Wessex Water- WTP Survey

HH Survey – Invitation email text

SUBJECT HEADER: Have your say on your future water bill.

Dear **(TEXT SUB FROM CONTACT DATABASE)**

Wessex Water provides water and sewerage services in your area and we've been commissioned by them to invite you to **take part in a survey**.

The survey will help Wessex Water shape the services it provides in the future and to decide how much it charges customers like you for your water services. You can read more about this in the attached letter.

Anyone who completes the survey will be entered into a prize draw where **you could win a cash prize of £500**.

To take part, simply click on the link below and complete the survey online – it should take around 20 minutes;
(INSERT LINK WITH EMBEDDED PASSWORD)

Please complete the survey by **Sunday 10 April**.

Qa Research Ltd is an independent research company and this survey is being carried out according to the Market Research Society's Code of Conduct. All your answers and information you provide will be treated as confidential in accordance with the Data Protection Act and GDPR legislation. If you'd like to contact us about this survey you can email WessexSurvey@Qaresearch.co.uk

Thanks for taking part – your opinions are very important.

Michael Fountain
Project Manager
Qa Research

For information about how your personal data is used by Wessex Water, please see their privacy notice available at https://wessexwater.co.uk/privacy-policy or call them on 0345 600 4 600* (Monday to Friday, 8am to 6pm).
*Calls to 0345 numbers from UK landlines cost no more than calls to standard UK landline numbers. If you're calling from a mobile please check with your service provider as sometimes calls can cost more. Calls may be recorded for quality, security and training purposes.

February 2022

Dear Customer

Thank you for your interest in our survey.

We have commissioned independent research company Qa Research Ltd to carry out this survey on our behalf and to contact customers like you to invite them to take part.

We provide water and sewerage services to properties in your area. In some areas we work alongside other companies like Bristol Water and Bournemouth Water.

Every five years, all water companies have to submit a business plan to Ofwat (the government regulator who oversees the water industry). The plan sets out targets for various service areas and outlines what the company can charge customers in their bills to help it meet these targets.

This survey asks for your views on what level of service Wessex Water should provide and how much you'd be prepared to pay for this. The findings will be very important and will help us to agree with Ofwat what our service and charges will be between 2025 and 2030.

Please take the time to complete the survey.

If you'd like to talk to us about this survey, you can contact the Wessex Water Customer Services team on 0345 600 4 600 (Monday to Friday, 8am to 6pm).

Thank you for your interest in the survey.

Sue Lindsay
Customer Director
Wessex Water

Wessex Water
Claverton Down
Bath BA2 7WW
Tel 01225 526 000
Web wessexwater.co.uk

- All questions, (including prompts for interviewers/respondents e.g. 'Tick all that apply') are formatted with the 'Question' style in blue.
- All responses are formatted using 'Response' style in red.
- Instructions (i.e. routing instructions) are formatted using the 'Instruction' style in black.

Wessex Water WTP Survey 2022 - (HH) Main Version

This survey is being conducted by Qa Research, an independent research company on behalf of Wessex Water.

Every 5 years, all water companies have to submit a business plan to Ofwat (the government regulator who oversees the water industry). The plan sets out targets for various service areas and outlines what the company can charge customers in their bills to help it meet these targets. This survey asks for your views on what level of service Wessex Water should provide and how much you'd be prepared to pay for this.

The survey should take around 20 minutes and at the end you'll have the chance to be entered into a prize draw where you could win £500.

This survey will be carried out according to the Market Research Society's Code of Conduct and all your answers and information you provide will be treated as anonymous and confidential in accordance with the Data Protection Act. You can read more about how your Personal Data is protected here (www.wessexwater.co.uk/privacy-policy/)

Please click on the arrow to start the questionnaire.

NEW SCREEN

S1a. Firstly, we just need to confirm your postcode to ensure that we ask you the right questions for your area.

We have your home postcode as *(TEXT SUB FROM CONTACT DETAILS)*. Is this correct?
SINGLECODE
Yes
No

NEW SCREEN

ASK S1b IF NO AT S1a, OTHERS CONTINUE

S1b. Please tell us your postcode below.
WRITE IN
Prefer not to say
IF 'Prefer not to say' SHOW THE FOLLOWING ON SAME PAGE AS S1b;
We need to confirm your postcode to ensure that people are asked the right questions for the area they live in, so please could you provide it.

MATCH POSTCODE TO WESSEX WATER CUSTOMER POSTCODE LIST:

- ***IF NOT A WESSEX CUSTOMER THANK AND CLOSE***
- ***IF NO POSTCODE IS GIVEN THANK AND CLOSE***

NEW SCREEN

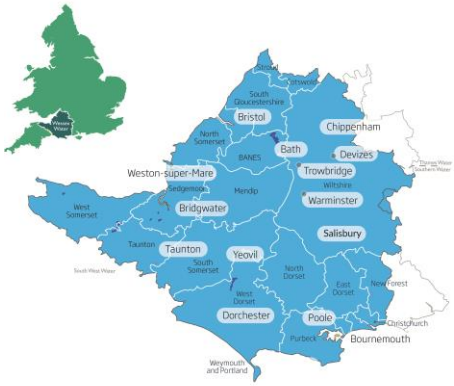
SHOW IF WESSEX <u>WATER SUPPLY AND WASTEWATER CUSTOMER</u>:
This survey is being carried out on behalf of Wessex Water, the company responsible for supplying water to homes and businesses and operating the sewerage network in your area. The findings from this survey will help Wessex Water plan for the future.

SHOW IF WESSEX <u>WATER SUPPLY ONLY CUSTOMER</u>:
This survey is being carried out on behalf of Wessex Water, the company responsible for supplying water to homes and businesses in your area. The findings from this survey will help Wessex Water plan for the future.

SHOW IF WESSEX <u>WASTEWATER ONLY CUSTOMER</u>:
This survey is being carried out on behalf of Wessex Water, the company responsible for operating the sewerage network in your area. The findings from this survey will help Wessex Water plan for the future.

We'll ask for your opinions on some things taking place across the whole Wessex Water region.

You can see the whole region served by Wessex Water below;



NEW SCREEN

To ensure we survey a representative spread of people we would first like to ask some questions about you.

ASK ALL
S2. Do you, or any of the people you live with, work for Wessex Water?
SINGLECODE
Yes ***– THANK AND CLOSE***
No

NEW SCREEN

S3. Do you, or any of the people you live with, work in market research?
SINGLECODE
Yes ***– THANK AND CLOSE***
No

NEW SCREEN

S4. Are you personally responsible for paying the water bill for your household?
SINGLECODE
Yes – solely responsible
Yes – jointly responsible
Yes – included in your rent
No ***– THANK AND CLOSE***

NEW SCREEN

S5. In total, how many people live in your household? Please include both adults and children.
SINGLECODE
1
2
3
4
5
6 or more
Prefer not to say

NEW SCREEN

The next question is about your water bill.

Q1. To make sure we ask the questions in a way that reflects your water usage and how much you pay, please tell us how much your water bill usually is. Please think about all the charges you pay, including both your water supply and waste water services.

***TEXT SUB FROM SAMPLE FOR THOSE RECEIVING 2 BILLS:* If you receive separate bills for your water and wastewater please think about the total amount you pay across both bills.**

Your best estimate is fine.

You can tell us the weekly, monthly, 6-monthly or annual costs, whichever suits you.

£NUMERIC RESPONSE* per Week - *CALCULATE ANNUAL COST (x52) – THIS is (£A)
£NUMERIC RESPONSE* per Month - *CALCULATE ANNUAL COST (x12) – THIS is (£A)
£NUMERIC RESPONSE* every 6 months - *CALCULATE ANNUAL COST (x2) – THIS is (£A)
£NUMERIC RESPONSE* per Year - *TAKE THIS AS THE ANNUAL COST – THIS is (£A)
Don't know
IF 'Don't know' GOTO Q2, OTHERS CONTINUE

NEW SCREEN

IF 'Don't know' AT Q1 CALCULATE THE TYPICAL WATER BILL AS FOLLOWS:

IF METERED FROM SAMPLE AND OCCUPANCY GIVEN AT S5 USE THE DATA AND TEXT BELOW;

HOUSEHOLD OCCUPANCY	*AVERAGE ANNUAL METERED CHARGE*
1	*£314*
2	*£470*
3	*£563*
4	*£665*
5	*£726*
6 or more	*£790*

TEXT SUB IF WEEKLY/MONTHLY/6 MONTHLY AT Q1: **This means you spend around £*(£A)* per year on your water bill.**

SHOW IF ANNUAL BILL IS MORE THAN £1,000 PER YEAR
Compared with other customers, that's quite a high bill.

If this doesn't look right you can go back and change it by clicking on the PREVIOUS button below.

TEXT SUB IF YEARLY AT Q1: **Thanks for confirming you spend £*(£A)* per year on your water bill.**

SHOW IF ANNUAL BILL IS MORE THAN £1,000 PER YEAR
Compared with other customers, that's quite a high bill.

If this doesn't look right you can go back and amend this figure by clicking on the PREVIOUS button below.

A typical annual water bill for a household customer in your area is currently around £*[TEXT SUB FROM TABLE ABOVE BASED ON S5]* per year.

IF METERED FROM SAMPLE AND 'Prefer not to say' AT S5 USE THE TEXT BELOW;
A typical annual water bill for an average sized household customer in your area is currently around £516 per year.

IF UNMETERED FROM SAMPLE USE THE TEXT BELOW;
A typical annual water bill for a household customer in your area is currently around £426 per year.

NEW SCREEN

This survey is about your water bill in the period 2025-2030 and we're going to ask you to make some choices to help decide how much bills might be.

SHOW IF WESSEX <u>WATER SUPPLY ONLY CUSTOMER</u>
Even though your sewerage and wastewater services are provided by another company, please <u>answer as if you're a customer of Wessex Water</u> for both sewerage and wastewater services as well as your water supply.

SHOW IF WESSEX <u>WASTEWATER ONLY CUSTOMER</u>:
Even though your water supply is provided by another company, please <u>answer as if you're a customer of Wessex Water</u> for both your water supply and your sewerage and wastewater service.

Be aware that other things will affect what water bills are in 2025-30, apart from your choices.

In particular, bills will increase over time because of inflation.

Other household bills may also go up or down, affecting the amount of money you have to spend.

NEW SCREEN

TO CALCULATE £Y RANDOMLY SELECT ONE OF THE FOLLOWING FIGURES AND CALCULATE AS A PROPORTION OF THEIR BILL;

- ***-5%***
- ***0%***
- ***4%***
- ***7%***

Bills may also be affected by changes in the cost of providing water and wastewater services, as well as the choices you make.

In fact, between 2025 and 2030, water bills are going to *(TEXT SUB BASED ON £Y:*

- ***IF -5%:* be *TEXT SUB OF £Y* lower than they are today due to**
- ***IF 0%:* stay the same despite**
- ***IF 4%:* be *TEXT SUB OF £Y* higher than they are today due to**
- ***IF 7%:* be *TEXT SUB OF £Y* higher than they are today due to**

changes in the cost of providing water and wastewater services.

***TEXT SUB IF £y= -5%:* This isn't a mistake, sometimes bills genuinely do go down like this!**

TO CALCULATE (£W) USE FORMULA (£A) + (£Y)

Therefore, it's estimated your bill would *(TEXT SUB IF £Y =0%:* still*)* be £*(£W)* per year between 2025 and 2030, before we've asked you to make any choices.

NEW SCREEN

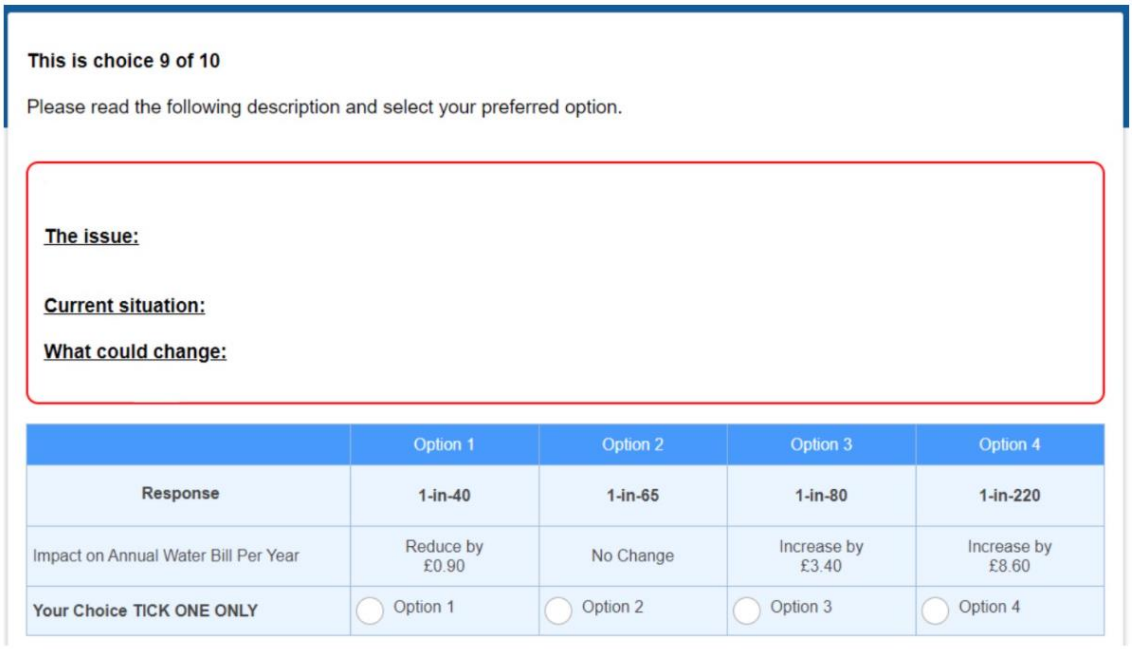
Then, your actual water bill between 2025 and 2030 could be impacted by the choices we're going to ask you to make about what Wessex Water could deliver.

We want you to consider 10 different topics, including water quality, sewer flooding, the environment and customer service and we'll show you 10 different screens like the one below.

On each screen, read the description in the red box and then decide which of the 4 Options you prefer.

Each Option shows a different level of response to the topic that Wessex Water could provide, along with its impact on your water bill each year;

- **If you want the response to be better than now bills will go up**
- **If you want the response to be worse than now bills will go down**
- **A similar response to now means bills would not change.**



This is choice 9 of 10

Please read the following description and select your preferred option.

The issue:

Current situation:

What could change:

	Option 1	Option 2	Option 3	Option 4
Response	**1-in-40**	**1-in-65**	**1-in-80**	**1-in-220**
Impact on Annual Water Bill Per Year	Reduce by £0.90	No Change	Increase by £3.40	Increase by £8.60
Your Choice TICK ONE ONLY	○ Option 1	○ Option 2	○ Option 3	○ Option 4

NEW SCREEN

After all 10 choices, we'll show you a summary of the overall impact on your bill each year. You'll have a chance to change them.

NEW SCREEN

SHOW THE FOLLOWING FOR THE FIRST ATTRIBUTE CHOSEN AT RANDOM TO BE TESTED

This is choice 1 of 10

Below, you can see a description of the first topic along with a description of the current situation and what could change.

You'll also see 4 Options showing different responses and the impact of each on your annual water bill.

Simply read the description and select the Option you'd prefer.

NAME FROM TOPIC COLUMN IN TABLE 1:

The issue: ***FROM ISSUE COLUMN IN TABLE 1:***

Current situation: ***FROM CURRENT SITUATION COLUMN IN TABLE 1:***

What could change: ***FROM WHAT COULD CHANGE COLUMN IN TABLE 1:***

	Option 1	**Option 2**	**Option 3**	**Option 4**
RESPONSE DESCRIPTION TAKEN FROM TABLE 4	***RESPONSE LEVEL FROM TABLE 3***	***RESPONSE LEVEL FROM TABLE 3***	***RESPONSE LEVEL FROM TABLE 3***	***RESPONSE LEVEL FROM TABLE 3***
Impact on Water Bill Per Year	TBC	TBC	TBC	TBC
Your Choice TICK ONE ONLY	☐	☐	☐	☐

DELAY APPEARANCE OF 'NEXT' BUTTON FOR 10 SECONDS FOR Q2a-Q2j

TABLE 1: TEXT FOR CHOICE CARDS

	TOPIC	*ISSUE*	*CURRENT SITUATION*	*WHAT COULD CHANGE*
Q2A	**Reducing lengthy water supply interruptions**	**Every year some customers experience their water supply being cut-off for more than 3 hours due to planned or unplanned maintenance work such as repairing burst pipes.**	**Every year around 1 in 65 properties experience their water supply being cut-off for more than 3 hours.**	**More investment, such as using technology to identify water bursts and repairing bursts more quickly would reduce the number of properties that experience this.**
Q2B	**Improving water quality**	**Occasionally the quality of tap water in the region does not achieve the standards set in the Water Supply Regulations.**	**Of the 29,000 water quality tests carried out per year, around 25 fail. These failures could be at a customer property or in Wessex Water's network affecting a larger number of customers.**	**Investing more to protect our water sources and reservoirs, to reduce the effect of lead pipes on water quality and working with customers to reduce the impact in their homes will reduce the risk of water quality failure.**
Q2C	**Reducing Internal & External Sewer flooding**	**Every year some customers experience sewage flooding which can be internal (inside their properties) and/or external (in their gardens or on their property).**	**Each year around 1 in 7,700 properties experience internal flooding and 1 in 625 experience external flooding.**	**Investing more in activities such as technology to respond to issues more quickly, and working with customers to prevent sewer blockages (e.g. education about what not to flush down the toilet), will reduce the number of incidents.**

Q2D	**Helping customers experiencing financial difficulty**	**Due to financial hardship some customers struggle to pay their water bill.**	**It is estimated that around 80,000 customers in the Wessex Water region (around 6.5%) currently struggle to pay their water bill.**	**Increasing bills would mean Wessex Water has more money to help customers who are struggling to pay their water bill, so more customers could be helped through water saving advice and discounted bills.**
Q2E	**Improving customer service**	**To provide excellent levels of customer service.**	**For customer satisfaction, Wessex Water is currently rated top out of 11 water & sewerage companies in England and Wales.**	**Greater investment would mean Wessex Water can provide a better service and be amongst the top companies across all sectors (not just water companies). This could be through a better online experience, keeping customers better informed when there are problems, and responding to incidents more quickly.**
Q2F	**Taking water out of rivers & streams**	**To protect the environment whilst achieving a balance between taking water out of rivers, streams and providing water for a growing number of customers.**	**Wessex Water currently strikes a good balance between taking water out, while also protecting the environment, but the amount of water it can take from its existing sources is reducing.**	**Greater investment in activities such as helping customers reduce their water use, the creation of more water sources like reservoirs, and Wessex Water reducing leakage from its network would mean Wessex Water can still protect the environment whilst having enough water for customers.**
Q2G	**Reducing wastewater pollution incidents**	**The environment is affected by a small number of wastewater pollution incidents in**	**Each year there are around 70 wastewater pollution incidents in the Wessex Water region.**	**Greater investment in areas such as more maintenance, repair and monitoring of sewers along with educating customers about what to**

		the region each year.		**and what not to put down the drain, will reduce the number of these incidents.**
Q2H (8)	**Improving river and coastal water quality**	**Chemicals and fertilisers from agriculture, pollution from industry and discharges from wastewater treatment works have a negative impact on river and coastal water quality across the region.**	**The levels of damaging chemicals in some places are 40% higher than they should be.**	**Although some of this is out of its control, greater investment by Wessex Water would improve river and coastal water quality. This would benefit nature and wildlife by reducing the levels of damaging chemicals in the water.**
Q2I (9)	**Achieving net zero carbon emissions**	**Providing water and sewerage services requires energy and activities which generate carbon emissions. Wessex Water's current emissions are 100 kts.**	**Wessex Water has reduced its carbon emissions by 25% over the last 4 years and is committed to reducing it further (in line with government targets).**	**By investing more money in actions such as changing vehicles to electric and increasing the use of renewable energy, Wessex Water could become carbon neutral by 2030.**
Q2j (10)	**Supporting nature & wildlife**	**Wessex Water's actions have an impact on nature and wildlife in the region.**	**Wessex Water protects nature and wildlife through its day to day activities, but could do more every time a change is needed on its sites.**	**Greater investment would pay for more projects and nature-based solutions, such as new wetlands for wastewater treatment, creation of woodland and protecting water sources through working with farmers, all of which would enhance nature and wildlife in the region.**

TABLE 2: PRICE LEVELS (TO 3 DECIMAL PLACES ONLY)

QUESTION	AVG SAVING PRICE	AVG PRICE +1	AVG PRICE +2
Q2A	-0.176%	0.284%	0.739%
Q2B	-0.289%	0.258%	0.272%
Q2C	-0.068%	0.643%	0.878%
Q2D	-0.392%	0.587%	2.739%
Q2E	-0.293%	0.695%	0.653%
Q2F	-0.392%	0.594%	1.167%
Q2G	-0.070%	0.953%	1.923%
Q2H	-0.737%	2.507%	0.603%
Q2I	-0.235%	0.636%	1.906%
Q2j	-0.082%	0.082%	0.080%

TO POPULATE THE CHOICE CARDS;

- ***INCLUDE A RANDOM DRAW OF 10X3 RANDOM VARIABLES, DRAWN FROM A UNIFORM DISTRIBUTION BETWEEN 0 AND 1***
- ***PRICE LEVELS TO BE SHOWN ON THE CARDS TO BE CALCULATED USING THE FORMULA OUTLINED BY NERA***

TABLE 3: RESPONSE LEVELS TO BE SHOWN ON THE CHOICE CARDS

QUESTION	-1	Status quo	+1	+2
Q2A	1-in-40	1-in-65	1-in-80	1-in-220
Q2B	Around 50 test failures	Around 25 test failures	Around 15 test failures	Around 10 test failures
Q2C	External: 1-in-575 properties Internal: 1-in-7,000 properties	External: 1-in-625 properties Internal: 1-in-7,700 properties	External: 1-in-700 properties Internal: 1-in-8,300 properties	External: 1-in-800 properties Internal: 1-in-9,300 properties
Q2D	88,000 (7.2% of households)	80,000 (6.5% of households)	68,000 (5.5% of households)	12,000 (1% of households)
Q2E	Slower response times to phone calls and incidents	Current standard of customer service	Better online access and incident updates	Better online access and incident updates, plus faster response times to incidents
Q2F	Take more water from rivers and streams with some negative environmental impact	Maintain current activities	Improve the way water is taken from rivers and streams to protect some more areas	Significantly improve the way water is taken from rivers and streams to protect some more areas
Q2G	80 incidents	70 incidents	60 incidents	50 incidents
Q2H	45% higher than it should be	40% higher than it should be	30% higher than it should be	25% higher than it should be
Q2I	0% (No Reduction)	35% Reduction (35 kts)	65% Reduction (65 kts)	100% Reduction (100 kts)
Q2j	Equivalent of 50 football pitches worth of wetlands and woodlands harmed	No change	Equivalent of 50 football pitches worth of wetlands and woodlands created	Equivalent of 100 football pitches worth of wetlands and woodlands created

NEW SCREEN

TABLE 4: RESPONSE LEVELS DESCRIPTION FOR ALL CHOICE CARDS

QUESTION	TOPIC	RESPONSE DESCRIPTION
Q2A	Reducing lengthy water supply interruptions	Chance of a Property Experiencing a Lengthy Interruption in a Year
Q2B	Improving water quality	Number of Water Quality Tests Failed Per Year
Q2C	Reducing Internal & External Sewer flooding	Chance of a Property Experiencing a Sewer Flooding Incident Per Year
Q2D	Helping customers experiencing financial difficulty	Number of Customers Who Struggle to Pay Their Bill
Q2E	Improving customer service	Level of Customer Service
Q2F	Taking water out of rivers & streams	Wessex Water Activities
Q2G	Reducing wastewater pollution incidents	Number of Pollution Incidents
Q2H	Improving river and coastal water quality	Level of Damaging Chemicals
Q2I	Achieving net zero carbon emissions	Percentage Carbon Emissions Reduction by 2030
Q2j	Supporting nature & wildlife	Impacts on Nature and Wildlife

REPEAT Q2b-Q2j AT RANDOM FOR THE REMAINING TOPICS

This is choice *XX* of 10

Q2b-Q2j. Please read the following description and select your preferred option.

NEW SCREEN

CALCULATE THE FOLLOWING;

- *(£Z) IS THE AGGREGATE OF THE IMPACT ON THE BILL OF ALL THE RESPONDENT'S CHOICES ACROSS THE 10 ATTRIBUTES*
- *(£X) IS THEIR BILL (£W) PLUS THE IMPACT OF THEIR CHOICES (£Z)*

Thanks for making your choices!

The next table summarises what you've chosen and the impact of all your choices on your overall water bill.

NEW SCREEN

Q3. Here's a summary of your choices.

Your choices mean that your bill would *TEXT SUB BASED ON (£X) COMPARED WITH (£W):*
IF A DECREASE:* decrease from £*(£W)* per year to £*(£X)
IF AN INCRAESE:* increase from £*(£W)* per year to £*(£X)
***IF NO CHANGE:* remain the same at £*(£W)* per year**

If you'd like to change anything just select it on the right-hand side and you can do that on the next screen.

If it all looks good, press 'I'm happy with my choices' at the bottom.

Topic	Your choice		Impact on bill per year	Tick to change
Q2A	*FROM TABLE 4*	*FROM Q2a*	*FROM Q2a*	☐
Q2B	*FROM TABLE 4*	*FROM Q2b*	*FROM Q2b*	☐
Q2C	*FROM TABLE 4*	*FROM Q2c*	*FROM Q2c*	☐
Q2D	*FROM TABLE 4*	*FROM Q2d*	*FROM Q2d*	☐
Q2E	*FROM TABLE 4*	*FROM Q2e*	*FROM Q2e*	☐
Q2F	*FROM TABLE 4*	*FROM Q2f*	*FROM Q2f*	☐
Q2G	*FROM TABLE 4*	*FROM Q2g*	*FROM Q2g*	☐
Q2H	*FROM TABLE 4*	*FROM Q2h*	*FROM Q2h*	☐
Q2I	*FROM TABLE 4*	*FROM Q2i*	*FROM Q2i*	☐
Q2j	*FROM TABLE 4*	*FROM Q2j*	*FROM Q2j*	☐

I am happy with my choices

IF NO TOPICS SELECTED TO BE AMENDED AT Q3, GOTO Q5

IF ANY TOPICS SELECTED TO BE AMENDED AT Q3 GOT TO Q4a-Q4j.

ONLY SHOW Q4a-Q4j FOR THE TOPICS SELECTED TO BE AMENDED AT Q3.

PRE-POPULATE WITH ORIGIAL CHOICE FROM Q2a-Q2j

Q4a. In the description below you can see your original choice. Please review the topic and amend your choice if you'd like to.

NAME FROM INVESTMENT AREA COLUMN IN TABLE 1:

The issue: *FROM ISSUE COLUMN IN TABLE 1:*

Current situation: *FROM CURRENT SITUATION COLUMN IN TABLE 1:*

What could change: *FROM WHAT COULD CHANGE COLUMN IN TABLE 1:*

	Option 1	Option 2	Option 3	Option 4
RESPONSE DESCRIPTION TAKEN FROM TABLE 4	*RESPONSE LEVEL FROM TABLE 3*	*RESPONSE LEVEL FROM TABLE 3*	*RESPONSE LEVEL FROM TABLE 3*	*RESPONSE LEVEL FROM TABLE 3*
Impact on Water Bill Per Year	TBC	TBC	TBC	TBC
Your Choice TICK ONE ONLY	☐	☐	☐	☐

NEW SCREEN

REPEAT Q4b-Q4j AT RANDOM FOR THE REMAINING TOPICS SELECTED AT Q3

ONCE ALL AMENDS HAVE BEEN MADE AT Q4a-Q4j RECALCULATE (£X)

RETURN TO Q3 AND REPEAT Q4a-Q4j AS REQUIRED UNTIL THE RESPONDENT IS HAPPY WITH Q3

We're now going to ask you some questions about the choices you have just made.

Q5. Generally, how easy or difficult did you find it to work out the differences between the options you were shown?
SINGLECODE
1 – Very difficult
2
3
4
5 – Very easy
Don't know

ASK Q6 IF SCORE 1-3 AT Q5, OTHERS GOTO Q7
Q6. Why do you say that?
CODES OPEN
Don't know

ASK ALL
Q7. How well do you feel you understood the 10 topics?
SINGLECODE
Very well
Quite well
Not very well
Not at all well
Don't know

ASK Q8 IF 'Not very well' Or 'Not at all well' AT Q7, OTHERS GOTO Q9
Q8. Why do you say that?
CODES OPEN
Don't know

ASK ALL

Q9. For each of the 10 topics, which of the following best describes how you decided which Option to choose?
SINGLECODE - INVERT
You wanted lower bills, even if this meant a worse response than currently
You were happy to leave decisions about the topic to Wessex Water
You wanted to see improvement, even if this meant paying more on your bill
Don't know

LOOP - RANDOMISE
- **Reducing lengthy water supply interruptions - Chance of a Property Experiencing a Lengthy Interruption in a Year**

- **Improving water quality - Number of Water Quality Tests Failed Per Year**
- **Reducing Internal & External Sewer flooding - Chance of a Property Experiencing a Sewer Flooding Incident Per Year**
- **Helping customers experiencing financial difficulty - Number of Customers Who Struggle to Pay Their Bill**
- **Improving customer service**
- **Taking water out of rivers & streams**
- **Reducing wastewater pollution incidents - Number of Pollution Incidents**
- **Improving river and coastal water quality - Level of Damaging Chemicals**
- **Achieving net zero carbon emissions - Percentage Carbon Emissions Reduction by 2030**
- **Supporting nature & wildlife - Impacts on Nature and Wildlife**

Q9b. How far do you agree or disagree that if Wessex Water invests more to provide a better response to these 10 topics then bills will increase?
SINGLECODE – INVERT
Agree strongly
Agree
Neither agree nor disagree
Disagree
Disagree strongly
Don't know

Q10. How often, if ever, have you contacted *(TEXT SUB FOR SUPPLY AND WASTE CUSTOMERS:* Wessex Water *TEXT SUB FOR OTHERS:* your water company*)* due to problems with your water supply or the sewerage network?
SINGLECODE
Multiple times in the last year
Once within the last year
Within the last 1-2 years
More than 2 years ago
Never
Don't know

Finally, we'd like to ask you a few questions about yourself to help us understand the views of different types of customers.

If you'd rather not answer any of these questions, please select 'Prefer not to say'.

D1. How would you describe your gender?

SINGLECODE
Female
Male
In another way (Write in)
Prefer not to say

D2. Which of the following age groups do you belong to?
SINGLECODE
16-34
35-44
45-54
55-64
65-74
75+
Prefer not to say

D3. Thinking of the main income earner in your household (which might be you or somebody else in the household) which of these best describes their current employment status?
SINGLECODE
Homemaker/housewife/househusband
Student/Full time education
Retired
Unemployed/on benefits
Factory/manual worker
Crafts/tradesperson/skilled worker
Office/clerical/administration
Middle management
Senior management
Professional
Don't know/prefer not to say
CODES 1-5 C2DE, CODES 6-10 ABC1

D4. What is the highest level of qualification you have attained?
SINGLECODE
GCSE (D-G), CSE grade 2-5,
SCE O Grades D-E/Standard Grades 4-7,
Scottish National Qualifications (Access level),
SCOTVEC National Certificate Modules
NVQ (level 1), GNVQ (Foundn),
BTEC (Intro level)
GCSE (A-C)/GCE O-level passes, CSE grade 1
SCE O Grades A-C / Standard Grades 1-3,
Scottish National Qualifications (Intermediate),
School Certificate / Matriculation
NVQ (level 2), GNVQ (Intm), BTEC (1st level)

GCE 'A'-level, AS Level, SCE Higher Grades A-C,
Scottish National Qualifications (Higher)
NVQ (level 3), GNVQ (Adv), BTEC (National level)
First degree, eg BSc, BA, MA at first degree level
NVQ (level 4), BTEC (Prof level), HND/HNC
Higher degree, eg MSc, MA, MBA, PGCE, PhD
NVQ (level 5), BTEC (Adv prof level)
None of these/Not sure
Prefer not to say

D5. When it comes to paying your water bill, which of the following statements do you most agree with?
SINGLECODE
I regularly struggle with paying my water bill on time, as other payments have priority
I occasionally struggle with paying my water bill on time, when other payments have priority
I rarely struggle with paying my water bill on time
I never struggle with paying my water bill on time
Prefer not to say
Don’t know

D6. Can we just check, have you received financial help with your water bills from any of the following schemes in the last 12 months? READ OUT
MULTICODE
None
WaterSure – this caps bills for customers with a water meter that are on benefits and have a health condition requiring extra use of water or have 3 or more children at home
Water Direct - where payments for water bills are taken directly from your benefits
Assist scheme - operated by Wessex Water and Bristol Water this offers discounted rates for those on a very low income
ONLY SHOW IF BOURNEMOUTH CUSTOMER CONTACT: WaterCare tariff - operated by Bournemouth Water which offers discounted rates for those on a very low income
Pensioners discount - for low income pensioners
An instalment plan that allows you to make small, but frequent, payments
Another scheme (Write in)
Don't know
Prefer not to say

D7. Please select any of the following circumstances that you feel apply to your household, including yourself.
By long-term we mean it has lasted or is expected to last at least 12 months.
MULTICODE
Someone in my household has a long-term physical health condition
Someone in my household has a long-term mental health condition
None of the above
Prefer not to say

D8. What is your household's annual income before any deductions for National Insurance, Income Tax etc.? You should include all sources of income including wages, pensions, benefits, interest on savings, and rent paid to you.
SINGLECODE
£0 - £19,999
£20,000 - £39,999
£40,000 - £59,999
£60,000 - £79,999
£80,000 - £99,999
£100,000 - £119,999
£120,000 - £139,999
£140,000 or more
Don't know
Prefer not to say

C1. Finally, would you like to be entered into a free prize draw where you could win one of 3 cash prizes?
First prize is £500 and there are two others prizes of £250.
SINGLECODE
Yes
No

The draw will be administered by Qa Research and full Terms and Conditions are shown below and can also be viewed here:
https://www.qaresearch.co.uk/WessexPrizeDraw

Your name and contact details need to be provided so Qa can contact you if you win; your details will not be used for any other purpose. The winner will be drawn at random and notified by telephone/email.

Terms and Conditions of prize draw:
1) The closing date is 24 April 2022. 2) Late entries will not be accepted. 3) There is one cash prize of £500 and two prizes of £250 each. The total prize fund is £1,000. 4) One entry per person. 5) Entries from a similar survey will also be included in this prize draw. 6) The winner will be drawn at random within one month of the closing date and notified by the contact details provided. 7) Qa will attempt to contact winners by phone three times and if on record, by email two times. If contact is not made within seven working days, Qa reserves the right to draw a new winner at random. 8) Winners will receive their prize within 3 weeks of the draw being held. 9) The decision of Qa Research is final and no correspondence will be entered into. 10) The draw is being administered by Qa Research.

IF 'Yes' AT C1 ASK C2, OTHERS THANK & CLOSE
C2. Please provide the contact details below so you can be contacted if you win?
Name: <check against sample>
Phone: <check against sample>
Email: <check against sample>

Thank you for taking the time to complete this survey.

- All questions, (including prompts for interviewers/respondents e.g. 'Tick all that apply') are formatted with the 'Question' style in blue.
- All responses are formatted using 'Response' style in red.
- Instructions (i.e. routing instructions) are formatted using the 'Instruction' style in black.

Wessex Water WTP Survey 2022 - (NHH) Main Version

This survey is being conducted by Qa Research, an independent research company on behalf of Wessex Water.

We're carrying out the survey with decision makers in businesses that have premises in the area covered by Wessex Water.

Every 5 years, all water companies have to submit a business plan to Ofwat (the government regulator who oversees the water industry). The plan sets out targets for various service areas and outlines what the company can charge customers in their bills to help it meet these targets. This survey asks for your views on what level of service Wessex Water should provide and how much you'd be prepared to pay for this.

The survey should take around 20 minutes and at the end you'll have the chance to be entered into a prize draw where you could win £500.

This survey will be carried out according to the Market Research Society's Code of Conduct and all your answers and information you provide will be treated as anonymous and confidential in accordance with the Data Protection Act. You can read more about how your Personal Data is protected here (www.wessexwater.co.uk/privacy-policy/)

Please click on the arrow to start the questionnaire.

NEW SCREEN

We need to survey businesses that have premises in the area that Wessex Water provides water and wastewater service to, even if it doesn't receive bills directly from Wessex Water.

Therefore, we just need to confirm a few details about your business.

S1. Does your business have separate business premises from which it operates? It doesn't matter if you personally don't work from there.
SINGLECODE
Yes
No **– *THANK & CLOSE***
I don't have a business /can't answer on behalf of a business **- THANK & CLOSE**

NEW SCREEN

S2. Please tell us the postcode of your business premises, so we can confirm that it's in the area that Wessex Water provides services to.
WRITE IN
Prefer not to say
IF 'Prefer not to say' SHOW THE FOLLOWING ON SAME PAGE AS S2;
We need to confirm the postcode to ensure that your business has premises in an area served by Wessex Water and also so that we ask you the right questions for the area it's based in.

MATCH POSTCODE TO WESSEX WATER SERVED AREA POSTCODE LIST:

- ***IF NOT IN WESSEX AREA THANK AND CLOSE***
- ***IF NO POSTCODE IS GIVEN THANK AND CLOSE***

NEW SCREEN

S3. Which of these best describes your organisation?
SINGLECODE
A private business
A public sector organisation **- THANK & CLOSE**
A social enterprise **- THANK & CLOSE**
A voluntary or community organisation **– THANK & CLOSE**

NEW SCREEN

S4. Do you have at least some responsibility for making decisions about the water bill your business pays for its premises?

You don't have to receive a separate bill, it could simply be included as part of your service charge or rent.
SINGLECODE
Yes – solely responsible
Yes – jointly responsible with others
No ***– THANK AND CLOSE***

NEW SCREEN

SHOW IF WESSEX <u>WATER SUPPLY AND WASTEWATER CUSTOMER</u>:
This survey is being carried out on behalf of Wessex Water, the company responsible for supplying water to homes and businesses and operating the sewerage network in your area. The findings from this survey will help Wessex Water plan for the future.

SHOW IF WESSEX <u>WATER SUPPLY ONLY CUSTOMER</u>:
This survey is being carried out on behalf of Wessex Water, the company responsible for supplying water to homes and businesses in your area. The findings from this survey will help Wessex Water plan for the future.

SHOW IF WESSEX <u>WASTEWATER ONLY CUSTOMER</u>:
This survey is being carried out on behalf of Wessex Water, the company responsible for operating the sewerage network in your area. The findings from this survey will help Wessex Water plan for the future.

We'll ask for your opinions on some things taking place across the whole Wessex Water region.

You can see the whole region served by Wessex Water below;

NEW SCREEN

The next question is about your business's water bill.

Q1. To make sure we ask the questions in a way that reflects its water usage and how much the business pays, please tell us how much your business's water bill usually is. Please think about all the charges you pay, including both your water supply and wastewater services.

It doesn't matter who you pay your bill to.

Your best estimate is fine.

You can tell us the weekly, monthly, 6-monthly or annual costs, whichever suits you.

£NUMERIC RESPONSE per Week - CALCULATE ANNUAL COST (x52) – THIS is (£A)
£NUMERIC RESPONSE per Month - CALCULATE ANNUAL COST (x12) – THIS is (£A)
£NUMERIC RESPONSE every 6 months - CALCULATE ANNUAL COST (x2) – THIS is (£A)
£NUMERIC RESPONSE per Year - TAKE THIS AS THE ANNUAL COST – THIS is (£A)
Don't know
IF 'Don't know' GOTO Q2, OTHERS CONTINUE

NEW SCREEN

IF 'Don't know' AT Q1 CALCULATE THE TYPICAL WATER BILL AS FOLLOWS:

IF METERED FROM SAMPLE AND OCCUPANCY GIVEN AT S5 USE THE DATA AND TEXT BELOW;

HOUSEHOLD OCCUPANCY	*AVERAGE ANNUAL METERED CHARGE*
1	*£314*
2	*£470*
3	*£563*
4	*£665*
5	*£726*
6 or more	*£790*

TEXT SUB IF WEEKLY/MONTHLY/6 MONTHLY AT Q1: **This means your business spends around £*(£A)* per year on its water bill.**

If this doesn't look right you can go back and change it by clicking on the PREVIOUS button below.

TEXT SUB IF YEARLY AT Q1: **Thanks for confirming your business spends £*(£A)* per year on your water bill.**

If this doesn't look right you can go back and amend this figure by clicking on the PREVIOUS button below.

TEXT SUB IF DON'T KNOW AT Q1: **A typical annual water bill for a business in your area is currently around £*[TEXT SUB FROM TBC]* per year.**

NEW SCREEN

This survey is about your business's water bill in the period 2025-2030 and we're going to ask you to make some choices to help decide how much bills might be.

Even if your business receives a bill for sewerage and wastewater services from another company, please answer as if you're a customer of Wessex Water, as both water and wastewater services in your area are provided by Wessex Water.

Be aware that other things will affect what water bills are in 2025-30, apart from your choices.

In particular, bills will increase over time because of inflation.

Other business costs may also go up or down, affecting the running costs of your business.

NEW SCREEN

TO CALCULATE £Y RANDOMLY SELECT ONE OF THE FOLLOWING FIGURES AND CALCULATE AS A PROPORTION OF THEIR BILL;

- ***-5%***
- ***0%***
- ***4%***
- ***7%***

Bills may also be affected by changes in the cost of providing water and wastewater services, as well as the choices you make.

In fact, between 2025 and 2030, water bills are going to *(TEXT SUB BASED ON £Y:*

- ***IF -5%:* be *TEXT SUB OF £Y* lower than they are today due to**
- ***IF 0%:* stay the same despite**
- ***IF 4%:* be *TEXT SUB OF £Y* higher than they are today due to**
- ***IF 7%:* be *TEXT SUB OF £Y* higher than they are today due to**

changes in the cost of providing water and wastewater services.

***TEXT SUB IF £y= -5%:* This isn't a mistake, sometimes bills genuinely do go down like this!**

TO CALCULATE (£W) USE FORMULA (£A) + (£Y)

Therefore, it's estimated your business's bill would *(TEXT SUB IF £Y =0%:* still*)* be £*(£W)* per year between 2025 and 2030, before we've asked you to make any choices.

NEW SCREEN

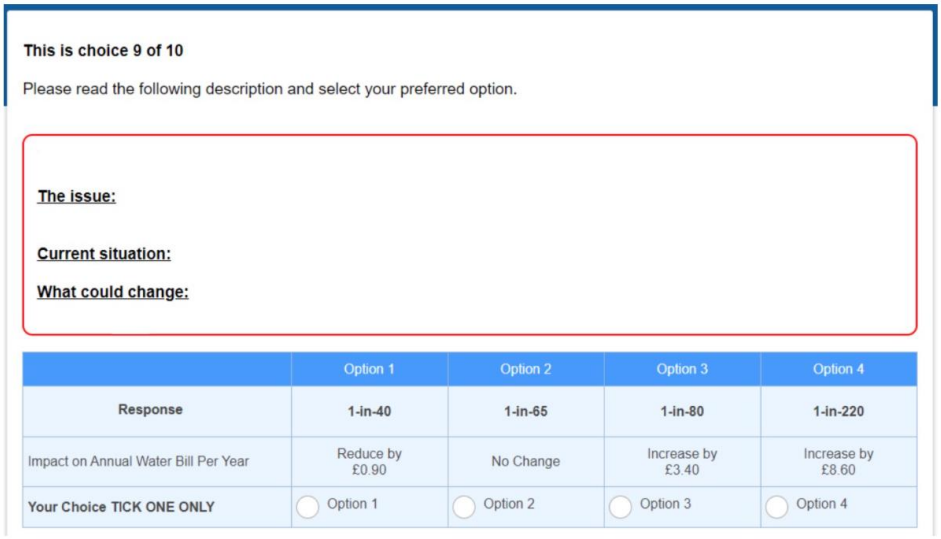
Then, your business's actual water bill between 2025 and 2030 could be impacted by the choices we're going to ask you to make about what Wessex Water could deliver.

We want you to consider 10 different topics, including water quality, sewer flooding, the environment and customer service and we'll show you 10 different screens like the one below.

On each screen, read the description in the red box and then decide which of the 4 Options you prefer.

Each Option shows a different level of response to the topic that Wessex Water could provide, along with its impact on your water bill each year;

- **If you want the response to be better than now bills will go up**
- **If you want the response to be worse than now bills will go down**
- **A similar response to now means bills would not change.**



This is choice 9 of 10

Please read the following description and select your preferred option.

The issue:

Current situation:

What could change:

	Option 1	Option 2	Option 3	Option 4
Response	1-in-40	1-in-65	1-in-80	1-in-220
Impact on Annual Water Bill Per Year	Reduce by £0.90	No Change	Increase by £3.40	Increase by £8.60
Your Choice TICK ONE ONLY	Option 1	Option 2	Option 3	Option 4

NEW SCREEN

After all 10 choices, we'll show you a summary of the overall impact on your business's bill each year. You'll have a chance to change them.

Remember that all of the responses you'll be choosing from would be paid for by revenue provided to Wessex Water from both household and business customers' bills.

NEW SCREEN

SHOW THE FOLLOWING FOR THE FIRST ATTRIBUTE CHOSEN AT RANDOM TO BE TESTED

This is choice 1 of 10

Below, you can see a description of the first topic along with a description of the current situation and what could change.

You'll also see 4 Options showing different responses and the impact of each on your business's annual water bill.

Simply read the description and select the Option you'd prefer.

NAME FROM TOPIC COLUMN IN TABLE 1:

The issue: ***FROM ISSUE COLUMN IN TABLE 1:***

Current situation: ***FROM CURRENT SITUATION COLUMN IN TABLE 1:***

What could change: ***FROM WHAT COULD CHANGE COLUMN IN TABLE 1:***

	Option 1	Option 2	Option 3	Option 4
RESPONSE DESCRIPTION TAKEN FROM TABLE 4	***RESPONSE LEVEL FROM TABLE 3***	***RESPONSE LEVEL FROM TABLE 3***	***RESPONSE LEVEL FROM TABLE 3***	***RESPONSE LEVEL FROM TABLE 3***
Impact on Water Bill Per Year	TBC	TBC	TBC	TBC
Your Choice TICK ONE ONLY	☐	☐	☐	☐

TABLE 1: TEXT FOR CHOICE CARDS

	TOPIC	*ISSUE*	*CURRENT SITUATION*	*WHAT COULD CHANGE*
Q2A	Reducing lengthy water supply interruptions	Every year some customers experience their water supply being cut-off for more than 3 hours due to planned or unplanned maintenance work such as repairing burst pipes.	Every year around 1 in 65 properties (including both household and business) experience their water supply being cut-off for more than 3 hours.	More investment, such as using technology to identify water bursts and repairing bursts more quickly would reduce the number of properties that experience this.
Q2B	Improving water quality	Occasionally the quality of tap water in the region does not achieve the standards set in the Water Supply Regulations.	Of the 29,000 water quality tests carried out per year, around 25 fail. These failures could be at a customer property or in Wessex Water's network affecting a larger number of customers.	Investing more to protect our water sources and reservoirs, to reduce the effect of lead pipes on water quality and working with customers to reduce the impact in their homes will reduce the risk of water quality failure.
Q2C	Reducing Internal & External Sewer flooding	Every year some customers experience sewage flooding which can be internal (inside their properties) and/or external (in their gardens or on their property).	Each year around 1 in 7,700 properties experience internal flooding and 1 in 625 experience external flooding.	Investing more in activities such as technology to respond to issues more quickly, and working with customers to prevent sewer blockages (e.g. education about what not to flush down the toilet), will reduce the number of incidents.

Q2D	**Helping customers experiencing financial difficulty**	**Due to financial hardship some household customers struggle to pay their water bill.**	**It is estimated that around 80,000 household customers in the Wessex Water region (around 6.5%) currently struggle to pay their water bill.**	**Increasing bills would mean Wessex Water has more money to help customers who are struggling to pay their water bill, so more customers could be helped through water saving advice and discounted bills.**
Q2E	**Improving customer service**	**To provide excellent levels of customer service directly to customers and water suppliers.**	**For customer satisfaction, Wessex Water is currently rated top out of 11 water & sewerage companies in England and Wales.**	**Greater investment would mean Wessex Water can provide a better service and be amongst the top companies across all sectors (not just water companies). This could be through a better online experience, keeping customers better informed when there are problems, and responding to incidents more quickly.**
Q2F	**Taking water out of rivers & streams**	**To protect the environment whilst achieving a balance between taking water out of rivers, streams and providing water for a growing number of customers.**	**Wessex Water currently strikes a good balance between taking water out, while also protecting the environment, but the amount of water it can take from its existing sources is reducing.**	**Greater investment in activities such as helping customers reduce their water use, the creation of more water sources like reservoirs, and Wessex Water reducing leakage from its network would mean Wessex Water can still protect the environment whilst having enough water for customers.**
Q2G	**Reducing wastewater pollution incidents**	**The environment is affected by a small number of wastewater pollution incidents in**	**Each year there are around 70 wastewater pollution incidents in the Wessex Water region.**	**Greater investment in areas such as more maintenance, repair and monitoring of sewers along with educating customers about what to**

		the region each year.		**and what not to put down the drain, will reduce the number of these incidents.**
Q2H (8)	**Improving river and coastal water quality**	**Chemicals and fertilisers from agriculture, pollution from industry and discharges from wastewater treatment works have a negative impact on river and coastal water quality across the region.**	**The levels of damaging chemicals in some places are 40% higher than they should be.**	**Although some of this is out of its control, greater investment by Wessex Water would improve river and coastal water quality. This would benefit nature and wildlife by reducing the levels of damaging chemicals in the water.**
Q2I (9)	**Achieving net zero carbon emissions**	**Providing water and sewerage services requires energy and activities which generate carbon emissions. Wessex Water's current emissions are 100 kts.**	**Wessex Water has reduced its carbon emissions by 25% over the last 4 years and is committed to reducing it further (in line with government targets).**	**By investing more money in actions such as changing vehicles to electric and increasing the use of renewable energy, Wessex Water could become carbon neutral by 2030.**
Q2j (10)	**Supporting nature & wildlife**	**Wessex Water's actions have an impact on nature and wildlife in the region.**	**Wessex Water protects nature and wildlife through its day to day activities, but could do more every time a change is needed on its sites.**	**Greater investment would pay for more projects and nature-based solutions, such as new wetlands for wastewater treatment, creation of woodland and protecting water sources through working with farmers, all of which would enhance nature and wildlife in the region.**

TABLE 2: PRICE LEVELS (TO 3 DECIMAL PLACES ONLY)

QUESTION	AVG SAVING PRICE	AVG PRICE +1	AVG PRICE +2
Q2A	-0.176%	0.284%	0.739%
Q2B	-0.289%	0.258%	0.272%
Q2C	-0.068%	0.643%	0.878%
Q2D	-0.392%	0.587%	2.739%
Q2E	-0.293%	0.695%	0.653%
Q2F	-0.392%	0.594%	1.167%
Q2G	-0.070%	0.953%	1.923%
Q2H	-0.737%	2.507%	0.603%
Q2I	-0.235%	0.636%	1.906%
Q2j	-0.082%	0.082%	0.080%

TO POPULATE THE CHOICE CARDS;

- ***INCLUDE A RANDOM DRAW OF 10X3 RANDOM VARIABLES, DRAWN FROM A UNIFORM DISTRIBUTION BETWEEN 0 AND 1***
- ***PRICE LEVELS TO BE SHOWN ON THE CARDS TO BE CALCULATED USING THE FORMULA OUTLINED BY NERA***

TABLE 3: RESPONSE LEVELS TO BE SHOWN ON THE CHOICE CARDS

QUESTION	-1	Status quo	+1	+2
Q2A	1-in-40	1-in-65	1-in-80	1-in-220
Q2B	Around 50 test failures	Around 25 test failures	Around 15 test failures	Around 10 test failures
Q2C	External: 1-in-575 properties Internal: 1-in-7,000 properties	External: 1-in-625 properties Internal: 1-in-7,700 properties	External: 1-in-700 properties Internal: 1-in-8,300 properties	External: 1-in-800 properties Internal: 1-in-9,300 properties
Q2D	88,000 (7.2% of households)	80,000 (6.5% of households)	68,000 (5.5% of households)	12,000 (1% of households)
Q2E	Slower response times to phone calls and incidents	Current standard of customer service	Better online access and incident updates	Better online access and incident updates, plus faster response times to incidents
Q2F	Take more water from rivers and streams with some negative environmental impact	Maintain current activities	Improve the way water is taken from rivers and streams to protect some more areas	Significantly improve the way water is taken from rivers and streams to protect some more areas
Q2G	80 incidents	70 incidents	60 incidents	50 incidents
Q2H	45% higher than it should be	40% higher than it should be	30% higher than it should be	25% higher than it should be
Q2I	0% (No Reduction)	35% Reduction (35 kts)	65% Reduction (65 kts)	100% Reduction (100 kts)
Q2j	Equivalent of 50 football pitches worth of wetlands and woodlands harmed	No change	Equivalent of 50 football pitches worth of wetlands and woodlands created	Equivalent of 100 football pitches worth of wetlands and woodlands created

NEW SCREEN

TABLE 4: RESPONSE LEVELS DESCRIPTION FOR ALL CHOICE CARDS

QUESTION	*TOPIC*	*RESPONSE DESCRIPTION*
Q2A	Reducing lengthy water supply interruptions	Chance of a Property Experiencing a Lengthy Interruption in a Year
Q2B	Improving water quality	Number of Water Quality Tests Failed Per Year
Q2C	Reducing Internal & External Sewer flooding	Chance of a Property Experiencing a Sewer Flooding Incident Per Year
Q2D	Helping customers experiencing financial difficulty	Number of Customers Who Struggle to Pay Their Bill
Q2E	Improving customer service	Level of Customer Service
Q2F	Taking water out of rivers & streams	Wessex Water Activities
Q2G	Reducing wastewater pollution incidents	Number of Pollution Incidents
Q2H	Improving river and coastal water quality	Level of Damaging Chemicals
Q2I	Achieving net zero carbon emissions	Percentage Carbon Emissions Reduction by 2030
Q2j	Supporting nature & wildlife	Impacts on Nature and Wildlife

REPEAT Q2b-Q2j AT RANDOM FOR THE REMAINING TOPICS

This is choice *XX* of 10

Q2b-Q2j. Please read the following description and select your preferred option.

NEW SCREEN

CALCULATE THE FOLLOWING;

- *(£Z) IS THE AGGREGATE OF THE IMPACT ON THE BILL OF ALL THE RESPONDENT'S CHOICES ACROSS THE 10 ATTRIBUTES*
- *(£X) IS THEIR BILL (£W) PLUS THE IMPACT OF THEIR CHOICES (£Z)*

Thanks for making your choices!

The next table summarises what you've chosen and the impact of all your choices on your business's overall water bill.

NEW SCREEN

Q3. Here's a summary of your choices.

Your choices mean that your business's bill would ***TEXT SUB BASED ON (£X) COMPARED WITH (£W):***
IF A DECREASE: **decrease from £*(£W)* per year to £*(£X)***
IF AN INCRAESE: **increase from £*(£W)* per year to £*(£X)***
IF NO CHANGE: **remain the same at £*(£W)* per year**

If you'd like to change anything just select it on the right-hand side and you can do that on the next screen.

If it all looks good, press 'I'm happy with my choices' at the bottom.

Topic	Your choice		Impact on bill per year	Tick to change
Q2A	*FROM TABLE 4*	*FROM Q2a*	*FROM Q2a*	☐
Q2B	*FROM TABLE 4*	*FROM Q2b*	*FROM Q2b*	☐
Q2C	*FROM TABLE 4*	*FROM Q2c*	*FROM Q2c*	☐
Q2D	*FROM TABLE 4*	*FROM Q2d*	*FROM Q2d*	☐
Q2E	*FROM TABLE 4*	*FROM Q2e*	*FROM Q2e*	☐
Q2F	*FROM TABLE 4*	*FROM Q2f*	*FROM Q2f*	☐
Q2G	*FROM TABLE 4*	*FROM Q2g*	*FROM Q2g*	☐
Q2H	*FROM TABLE 4*	*FROM Q2h*	*FROM Q2h*	☐
Q2I	*FROM TABLE 4*	*FROM Q2i*	*FROM Q2i*	☐
Q2j	*FROM TABLE 4*	*FROM Q2j*	*FROM Q2j*	☐

I am happy with my choices

IF NO TOPICS SELECTED TO BE AMENDED AT Q3, GOTO Q5

IF ANY TOPICS SELECTED TO BE AMENDED AT Q3 GOT TO Q4a-Q4j.

ONLY SHOW Q4a-Q4j FOR THE TOPICS SELECTED TO BE AMENDED AT Q3.

PRE-POPULATE WITH ORIGIAL CHOICE FROM Q2a-Q2j

Q4a. In the description below you can see your original choice. Please review the topic and amend your choice if you'd like to.

NAME FROM INVESTMENT AREA COLUMN IN TABLE 1:

The issue: *FROM ISSUE COLUMN IN TABLE 1:*

Current situation: *FROM CURRENT SITUATION COLUMN IN TABLE 1:*

What could change: *FROM WHAT COULD CHANGE COLUMN IN TABLE 1:*

	Option 1	Option 2	Option 3	Option 4
RESPONSE DESCRIPTION TAKEN FROM TABLE 4	*RESPONSE LEVEL FROM TABLE 3*	*RESPONSE LEVEL FROM TABLE 3*	*RESPONSE LEVEL FROM TABLE 3*	*RESPONSE LEVEL FROM TABLE 3*
Impact on Water Bill Per Year	TBC	TBC	TBC	TBC
Your Choice TICK ONE ONLY	☐	☐	☐	☐

NEW SCREEN

REPEAT Q4b-Q4j AT RANDOM FOR THE REMAINING TOPICS SELECTED AT Q3

ONCE ALL AMENDS HAVE BEEN MADE AT Q4a-Q4j RECALCULATE (£X)

RETURN TO Q3 AND REPEAT Q4a-Q4j AS REQUIRED UNTIL THE RESPONDENT IS HAPPY WITH Q3

We're now going to ask you some questions about the choices you have just made.

Q5. Generally, how easy or difficult did you find it to work out the differences between the options you were shown?
SINGLECODE
1 – Very difficult
2
3
4
5 – Very easy
Don't know

ASK Q6 IF SCORE 1-3 AT Q5, OTHERS GOTO Q7
Q6. Why do you say that?
CODES OPEN
Don't know

ASK ALL
Q7. How well do you feel you understood the 10 topics?
SINGLECODE
Very well
Quite well
Not very well
Not at all well
Don't know

ASK Q8 IF 'Not very well' Or 'Not at all well' AT Q7, OTHERS GOTO Q9
Q8. Why do you say that?
CODES OPEN
Don't know

ASK ALL
Q9. Thinking about the choices you made, which TWO of the following were most important to you when deciding what to choose?
MULTICODE – MAX TWO
Helping the environment
Ensuring your business receives a reliable water supply
Reducing your business's water bill
Keeping your business's water bill broadly the same as now
The level of customer service offered by Wessex Water
Something else (write in)
Don't know

Q10. How often, if ever, have you contacted Wessex Water directly due to problems with your water supply or the sewerage network?
SINGLECODE
Multiple times in the last year
Once within the last year
Within the last 1-2 years
More than 2 years ago
Never
Don't know

Finally, we'd like to find out a little more about your business to help us understand the views of different types of customers.

D1. Including yourself, how many people does your business employ? If you have multiple sites then please tell us the total number across all sites in the UK.
INCLUDE FULL AND PART TIME
INCLUDE TEMPORARIES/CASUALS, BUT NOT AGENCY STAFF
INCLUDE OWNERS/PARTNERS AND OTHER DIRECTORS
NUMERICAL RESPONSE – MINIMUM 1

D2. Which of these categories would you say your business falls into?
SINGLECODE
Agriculture, Forestry and Fishing
Mining and Quarrying
Manufacturing
Electricity, Gas, Steam and Air Conditioning Supply
Water Supply; Sewerage, Waste Management and Remediation Activities
Construction
Wholesale
Retail Trade
Repair of Motor Vehicles and Motorcycles
Transportation and Storage
Accommodation and Food Service Activities
Information and Communication
Financial and Insurance Activities
Real Estate Activities
Professional, Scientific and Technical Activities
Administrative and Support Service Activities
Public Administration and Defence; Compulsory Social Security
Education
Human Health and Social Work Activities
Arts, Entertainment and Recreation
Other Service Activities
Something else (Write in)

D3. Approximately what was the turnover of your business over the past year?
SINGLECODE
Less than £85,000 [VAT threshold]
£85,000–£250,000
£250,000–£0.5M
£0.5M–£1M
£1M–£5M
£5M–£10M
£10M–£25M
£25M+
Don't know
Prefer not to say

D4. How would you describe your main business premises?
SINGLECODE
Office (not serviced)
Serviced office
Retail unit (e.g. shop, restaurant etc.)
Industrial unit
Manufacturing unit
Warehouse/storage
Lab or research facility
Undeveloped site/land
Something else (Please specify below)
Don't know

D5. How does your business pay it's water bill?
SINGLECODE
Direct to Wessex Water
Direct to another supplier
As part of the rent
Within a service charge or similar for its premises
Another way (Write in)
Don't know
Prefer not to say

C1. Finally, would you like to be entered into a free prize draw where you could win one of 3 cash prizes?
First prize is £500 and there are two others prizes of £250.
SINGLECODE
Yes
No

The draw will be administered by Qa Research and full Terms and Conditions are shown below and can also be viewed here:

https://www.qaresearch.co.uk/WessexPrizeDraw

Your name and contact details need to be provided so Qa can contact you if you win; your details will not be used for any other purpose. The winner will be drawn at random and notified by telephone/email.

Terms and Conditions of prize draw:
1) The closing date is 24 April 2022. 2) Late entries will not be accepted. 3) There is one cash prize of £500 and two prizes of £250 each. The total prize fund is £1,000. 4) One entry per person. 5) Entries from a similar survey will also be included in this prize draw. 6) The winner will be drawn at random within one month of the closing date and notified by the contact details provided. 7) Qa will attempt to contact winners by phone three times and if on record, by email two times. If contact is not made within seven working days, Qa reserves the right to draw a new winner at random. 8) Winners will receive their prize within 3 weeks of the draw being held. 9) The decision of Qa Research is final and no correspondence will be entered into. 10) The draw is being administered by Qa Research.

IF 'Yes' AT C1 ASK C2, OTHERS THANK & CLOSE
C2. Please provide the contact details below so you can be contacted if you win?
Name: <check against sample>
Phone: <check against sample>
Email: <check against sample>

Thank you for taking the time to complete this survey.