Customer Challenge Group (CCG) chairs meeting

Georgina Mills, Chair

11 July 2016

Agenda

10.15 am	Welcome and introductions
10.30 am	Update on Sector Strategic Dashboard (Water UK and E&Y Seren)
11.30 am	Break
11.45 am	Residential Retail Review – update on progress and upcoming consultation
12.30 pm	Water 2020 – opportunity for CCG Chairs to discuss our May documents (in particular the Customer Engagement Policy Statement)
13.20 pm	Next step and meeting close

Sector Strategic Dashboard

Rob Wesley (Water UK)
Mark Turner (E&Y Seren)

Water sector strategic dashboard:

DiscoverWater.co.uk

Briefing for CCGs

11 July 2016

Contents

Goals

Phase one

April to July

Sector level metrics

2015/16 data

Phase two

By Dec 2016

Company-by-company comparison

Progress – phase one

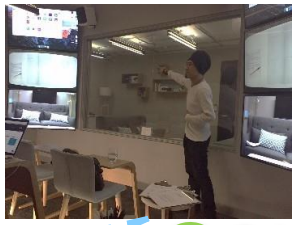
Customer co-creation sessions x2

Consolidated view of themes and metrics

Detailed topics and metrics

User testing and insight:

- Branding and design
- Topics



Launch

Final design and content refinement

25 April

31 July

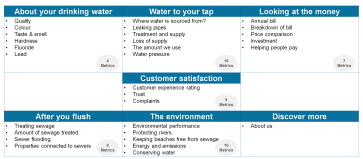
Steering group co-creation session

Discover Water.co.uk

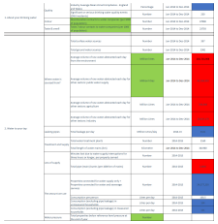
Brand book

First set of design sheets

Themes and metrics signed off



14/15 data gathering



EY seren

A customer-led approach

Involving '*informed household customers*' to co-create something they find of value and can trust

Qualitative research sessions held with two customer groups:

- Unconstrained brainstorm of what they would like from a dashboard
- Sorting and ranking of sector's views/ideas

Three key findings:

- Interest in composition and safety of drinking water
- Desire to understand fairness of what they are paying for
- Desire for information as well as data; e.g. "*how does water arrive at my tap?*"

Branding of Discover Water

Key elements for branding the dashboard are in place

VALUES

Transparency

Trustworthy

Simple

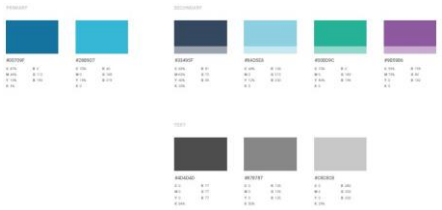
Meaningful

Engaging

LOGO

Discover Water.co.uk

COLOUR PALETTE



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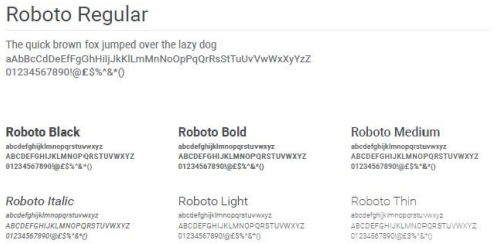


ICONOGRAPHY

EY seren

Themes and metrics for phase one

About your drinking water	Water to your tap	Looking at the money
• Quality • Colour • Taste & smell • Hardness • Fluoride • Lead 4 Metrics	• Where water is sourced from? • Leaking pipes • Treatment and supply • Loss of supply • The amount we use • Water pressure 16 Metrics	• Annual bill • Breakdown of bill • Price comparison • Investment • Helping people pay 7 Metrics
	Customer satisfaction • Customer experience rating • Trust • Complaints 9 Metrics	
After you flush	**The environment**	**Discover more**
• Treating sewage • Amount of sewage treated • Sewer flooding • Properties connected to sewers 6 Metrics	• Environmental performance • Protecting rivers • Keeping beaches free from sewage • Energy and emissions • Conserving water 10 Metrics	• About us

Includes all 16 Ofwat proposals for comparative information (industry level data only for phase 1)

Many of the metrics will include a time series to provide further context

Customer testing

Pleasantly surprised, interested, and said would use it

Struggled with lots of terminology / jargon

Tell me about my specific water company

Wanted to be clear who was providing the data – "*can I trust it?*"

EY seren

Demo
<The latest version of the dashboard>

Next steps and forward look

Bringing phase one presentation content to a conclusion

Readying to upload available 15/16 data ahead of launch

Deploying ‘soft launch’ comms plan

Planning for phase two (live by end Nov 16):

- Company-by-company comparisons
- Additional topics / metrics
- Incorporating New Appointments or Variations (NAVs)
- Full launch and proactive comms

Residential Retail Review

Iain McGuffog

Review of residential retail competition in water

Government outlined clear intent in "A Better Deal: boosting competition to bring down bills for families and firms"

"The government is driving water market competition. Business and other non-household customers will be able to switch suppliers from 2017. ***Ofwat will provide an assessment by summer 2016 of the costs and benefits of extending retail competition to household water customers****. Following this, the government will work with water companies to begin the transition to household retail competition before the end of this Parliament." Pg. 7, "A better deal', HM Treasury, November 2015*

"Building on opening up the non-household retail market to competition, ***the government wants to extend choice to households****."* Pg. 11, "A better deal', HM Treasury, November 2015

What we are doing:

- Aiming to produce an authoritative and objective report to UK Government
- Neutrally set out arguments for and against.
- Following an open and transparent process through extensive engagement.
- Getting a balanced customer context for choice and competition
- Engaging with consumer representatives through a "Customer Voice" on-line forum

What we are not doing:

- Making a recommendation to government on whether to introduce competition
- Recommending solutions to address the issues raised
- Proposing a timetable for implementation
- Evaluating costs / benefits of residential retail competition in Wales.
- Specifically considering any policy read across in Wales

Feedback from the qualitative customer research – Slide 1

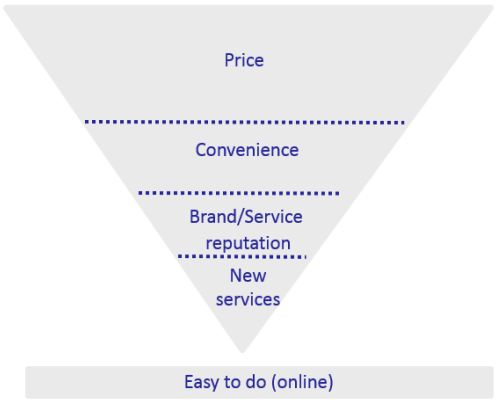
Research to explore customers response to competition in principle and to outline views on models of competition

- 8 deliberative focus groups with a broad range of customers
- 8 in depth interviews with vulnerable customers
- 2 groups with early technology adopters

1. For those that do engage in the energy market, price is the dominant factor, but supportive factors can tip the balance

In energy market, price (supported by ease) are biggest reasons to switch

Market is well understood and there seems limited positive loyalty to any energy companies



- 'Better than' renewal price
- D/D deals
- Dual fuel deals
- Bundled discounts e.g. MU warehouse
- Fixed rates
- Incentives/offers

- All under one roof
- One bill

- Trust
- Certainty of call out times

- Cosy, smart meters, online services e.g. dashboard

- Minimal effort required
- Online comparison sites are easy to use
- Set-up alerts when prices increase

Price is a reason to switch but evidence of people staying with incumbent if better price offered

2. Customers are generally satisfied with water companies – they have limited contact. Although bills are lower than other services e.g. energy, customers are less sure of value for money as there is no market

3. Idea of a competitive water market feels "more fair". Have to have simple, low cost switching that is available to all.

Model 1	Model 2	Model 3	Model 4
Eligibility restrictions	**No eligibility restrictions**	**Multi-utility**	**Franchise**
• Narrow market – only some customers eligible to switch • Retail element is billing and customer service only	• All customers able to switch • Retail element is billing and customer service only – customer choice between water companies	• All customers able to switch • Broader range of services opened to competition so multi-utility providers enter market	• Analogous to bus or rail franchising • No individual switching • Community water also explored within this model

Feedback from the qualitative customer research – Slide 2

Research to explore customers response to competition in principle and to outline views on models of competition

- 8 deliberative focus groups with a broad range of customers
- 8 in depth interviews with vulnerable customers
- 2 groups with early technology adopters

4. For most customers, likely bill savings on today's retail cost base is unlikely to be attractive. Emerging services / add ons for early technology adopters could be enough motivation to switch supplier

5. Could be new services that change the way customers interact with water e.g. water leak sensor as part of "connected homes"

High tech customers had a range of new services

Accent

New services taken for mixture of convenience and financial gain with some novelty value

Driven by technology

- Enticed by gadgets and new apps
- Enjoy technology and being part of the latest thing
- Feel clever
- Show off apps to friends
- Cosy, Hive, Salus, Sky go

Driven by benefits of technology

- Engage with benefits of technology
- How will this help reduce my price?
- Example: online dashboard from Spark provides real time meter readings so no estimates
- How will this make life easier/better?
- Example: installed smart meters = in tune with energy that's being used
- End goal = reduced bill

"Yes that's why we got HIVE in that you know how much you are spending and you can put your heating up on the go"
Early Adopter, Watford

"We were one of the first to get Hive – I don't really know why but my husband likes this sort of thing!"
F, Early Adopter, Watford

"I can come home to a hot flat and I save money during the day"
M, Early Adopter, Watford

"I know you are going to laugh but I can put my slow cooker on when I'm at work!"
F, Early Adopter, Watford

New 'high tech' services could be enough of a motivation to switch in low price differential market

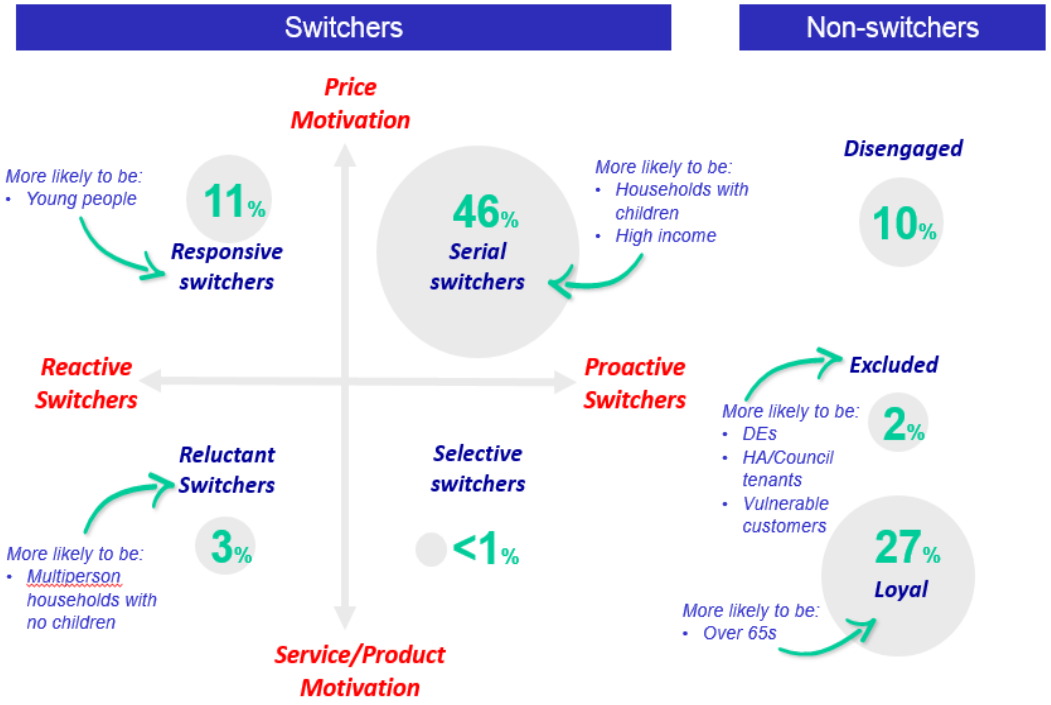
Feedback from the quantitative customer research: Slide 1

2000 customers surveyed by Accent; looked at engagement and behaviour in energy and explored behaviour in water to inform models and CBA

- Builds on deliberative research
- Findings from the deliberative phase of research were confirmed – with support for a wide market without eligibility restrictions, although support for restrictions on switching for those in debt

1. Survey found more tech savvy customers than digitally excluded (e.g. no online access). Customers who had the potential to be vulnerable are the majority of households

On WaterSure tariff	3%
High water need	7%
Over 75	6%
Struggling / in debt	18%
Low income household	21%
Household receives benefits	29%
Disability in household	29%
Any vulnerability	56%



2. In energy: 59% had switched, with price the dominant factor amongst active customers.

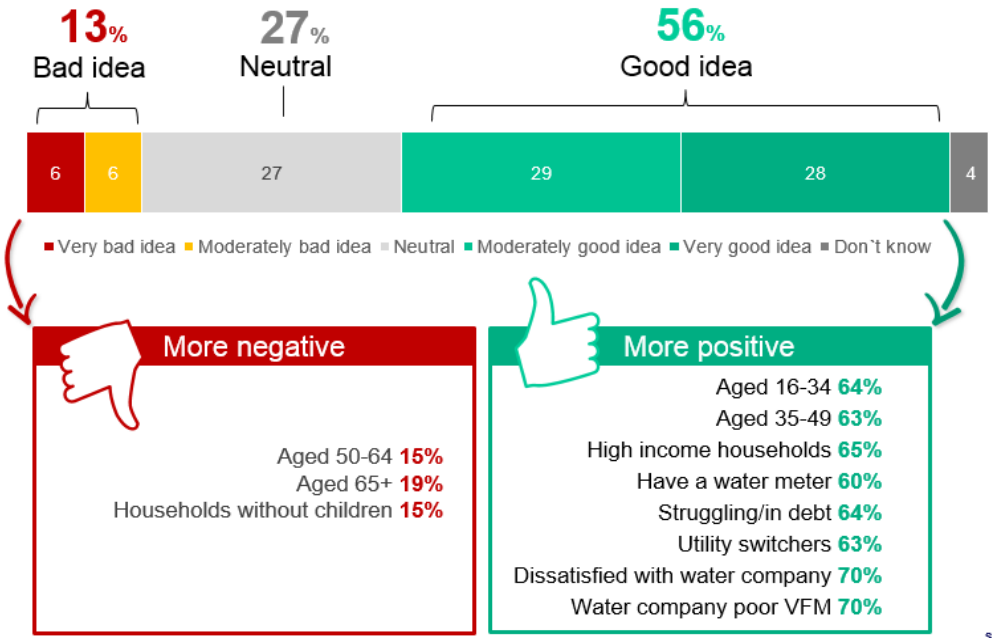
Feedback from the quantitative customer research: Slide 2

2000 customers surveyed by Accent; looked at engagement and behaviour in energy and explored behaviour in water to inform models and CBA

- Builds on deliberative research
- Findings from the deliberative phase of research were confirmed – with support for a wide market without eligibility restrictions, although support for restrictions on switching for those in debt

3. The elderly tend to be the most loyal customers in energy, and also are the least supportive of a water market, with the greatest concerns of confusion over switching and who to contact in an emergency. Those with higher incomes and families are the most engaged

Do you think the idea of choice in the water market is a good idea or a bad idea?



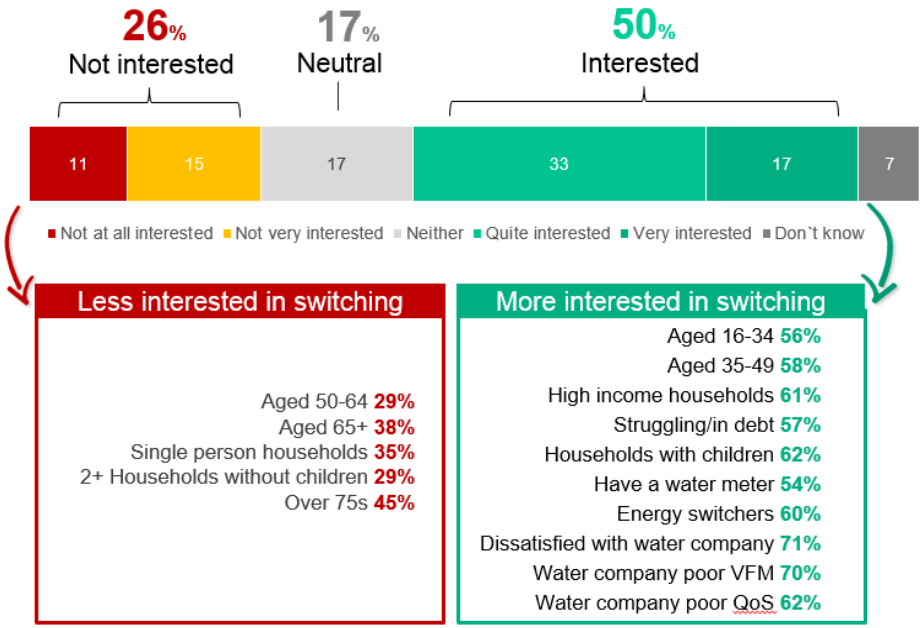
Feedback from the quantitative customer research: Slide 3

2000 customers surveyed by Accent; looked at engagement and behaviour in energy and explored behaviour in water to inform models and CBA

- Builds on deliberative research
- Findings from the deliberative phase of research were confirmed – with support for a wide market without eligibility restrictions, although support for restrictions on switching for those in debt

4. Around 50% of customers are interested in switching; which is a similar number to the findings of the CCWater research as well as empirical evidence from the energy market experience

If you had a choice of supplier, how interested would you be in switching?



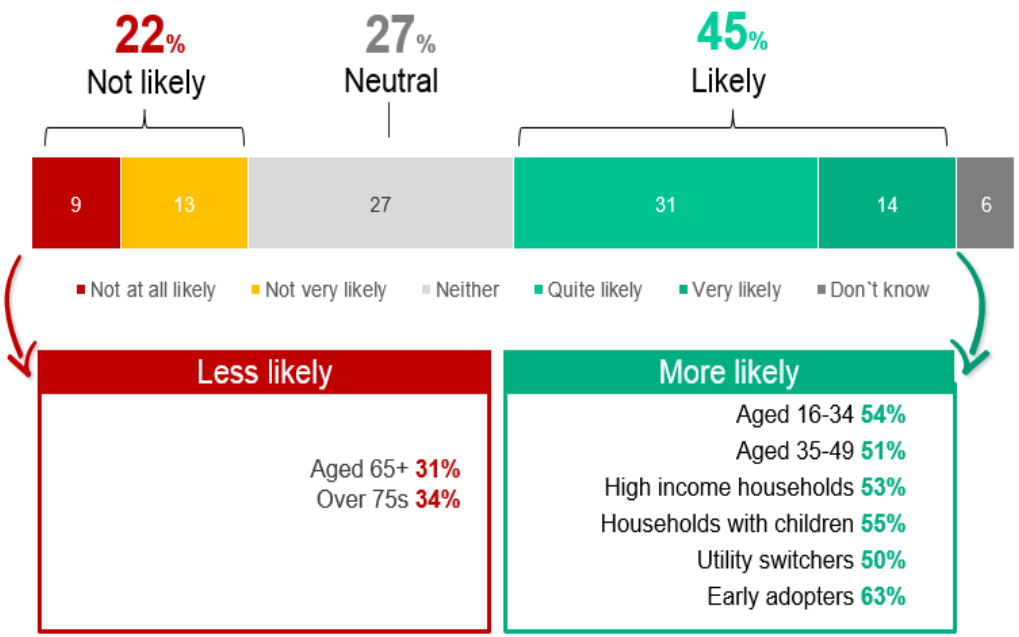
Feedback from the quantitative customer research – Slide 4

Links to other evidence	▪ Similar results to CCWater research – more customers neutral in Accent research with context of energy market, but also higher potential interest in switching ▪ CCWater report - £4 - £8 bill saving, with a third of customers willing to switch for this ▪ Accent report helps to explain customer experience of energy market and how this helps to shape their water market expectations. Also considers importance of technology and water efficiency services

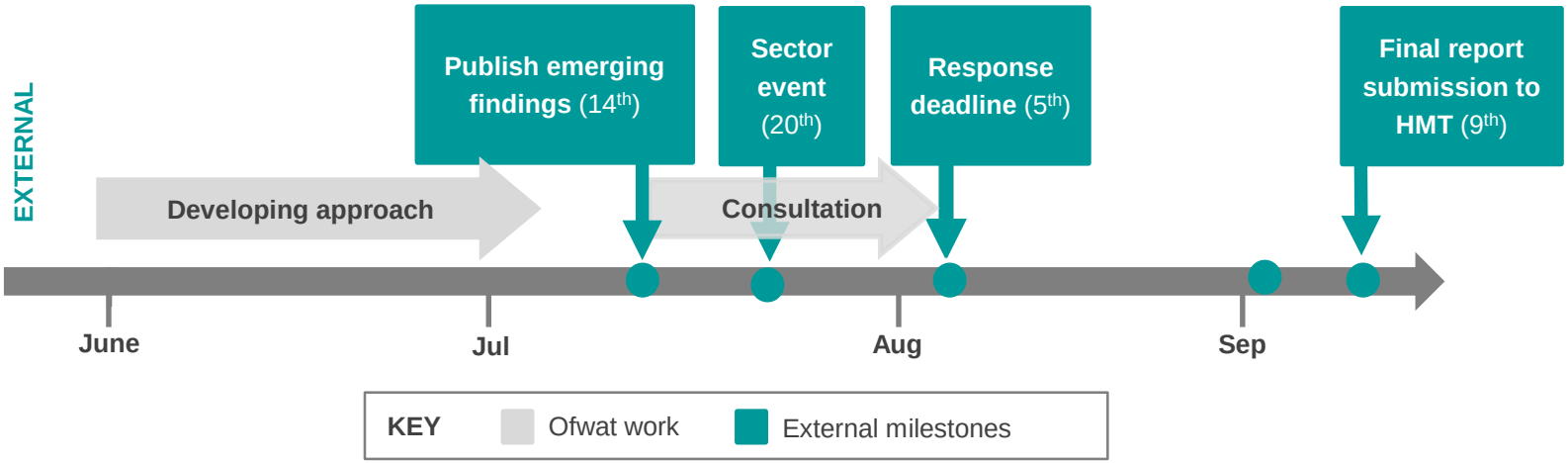
2. Customers expect on average a 25% bill reduction from water competition – which is similar to switchers' experience from the energy market. Price is the main driver of this, based on their experience from energy

But customers likely switching in water is only slightly lower if there are better services (such as leakage and water efficiency) rather than a price benefit

How likely would you be to switch to a water company if it were to provide additional services such as leak monitoring and water efficiency but there was no price difference?



Next steps

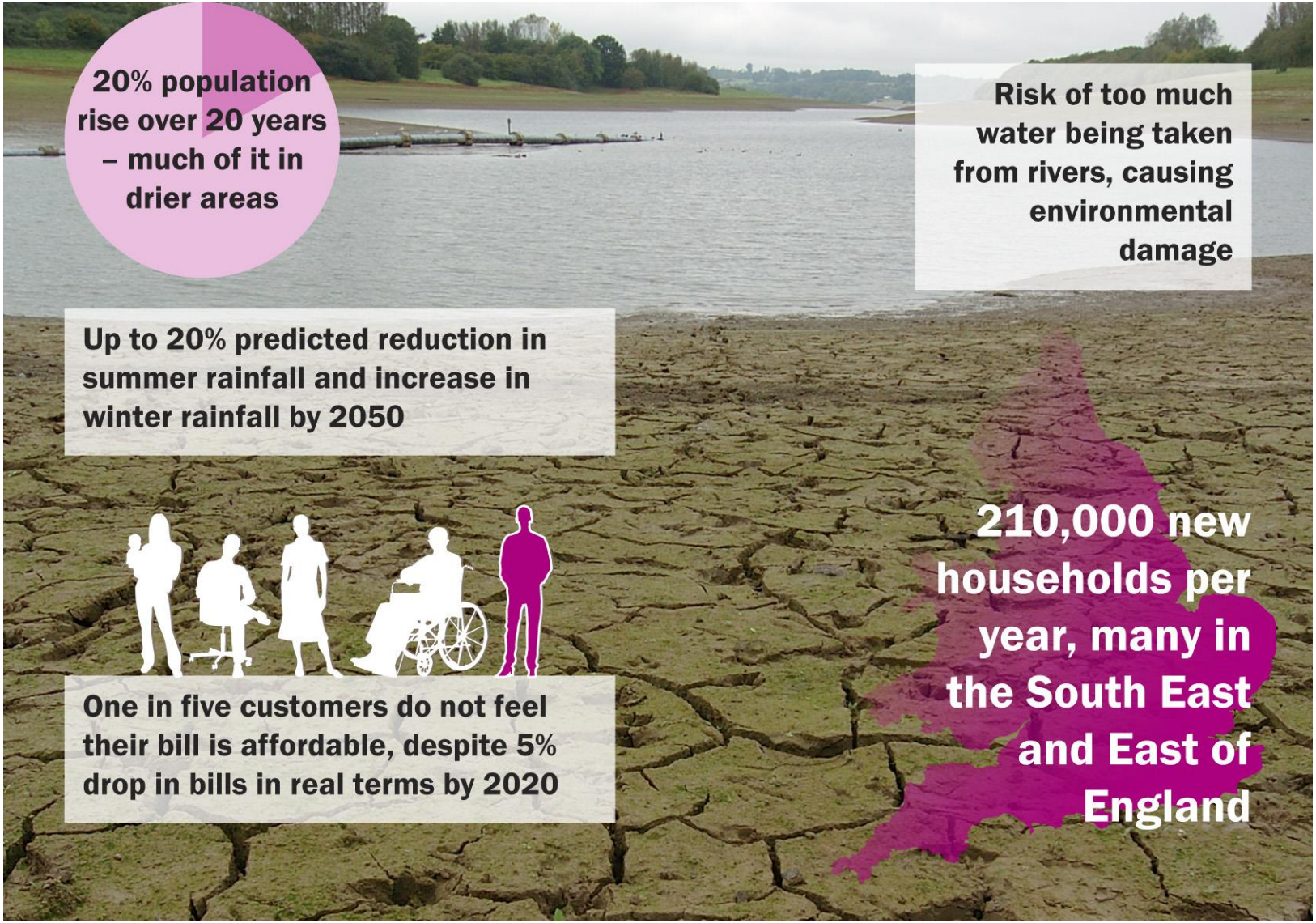


- Have companies discussed their evidence and views on the residential retail review with CCGs?
- The full research reports and submissions in response to our call for evidence will be published with the emerging findings
- There is a short window to review our emerging findings and suggest evidence where there are gaps or potential solutions to any issues.

Water 2020 – May documents (including the Customer Engagement Policy Statement)

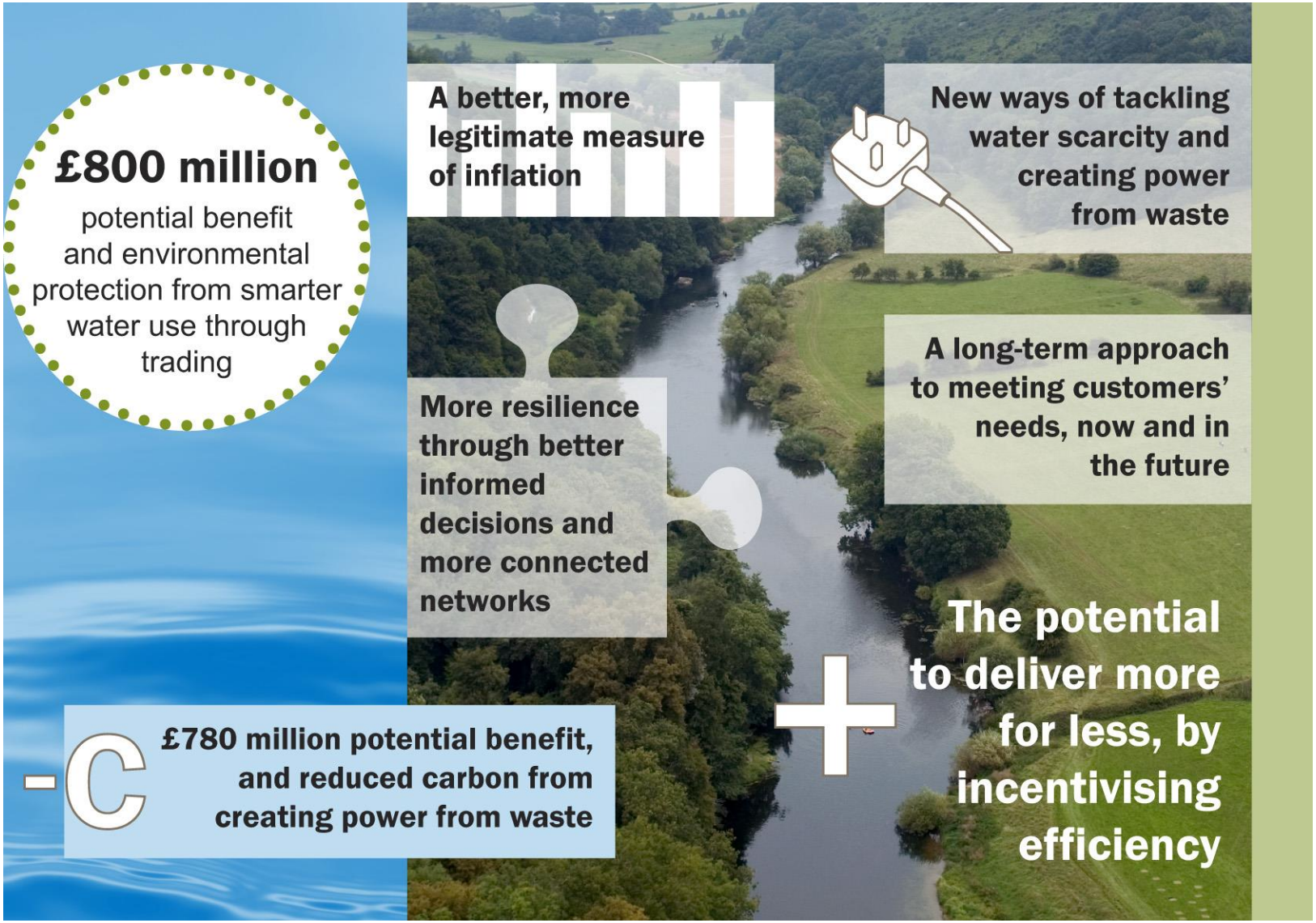
David Black and Georgina Mills

Water 2020 Update


20% population rise over 20 years – much of it in drier areas
Risk of too much water being taken from rivers, causing environmental damage
Up to 20% predicted reduction in summer rainfall and increase in winter rainfall by 2050
210,000 new households per year, many in the South East and East of England
One in five customers do not feel their bill is affordable, despite 5% drop in bills in real terms by 2020

What our new approach will deliver

The benefits of our new regulatory approach



Customer Engagement Policy Statement

Our customer engagement policy statement

- Overarching principles of customer engagement
- Roles and responsibilities
- Taking account of customers' views when considering company plans
- Next steps

Overarching principles of customer engagement

Companies using a robust, balanced and proportionate evidence base to develop a genuine understanding of their customers' priorities, needs, requirements and behaviours. For example, cross-checking and sense-checking evidence drawing on a range of techniques (such as stated and revealed preference willingness-to-pay techniques, and experiments) and a range of sources (including information obtained through day-to-day interaction with customers for example complaints)

Engaging customers as an ongoing process

Involving customers in service delivery

Companies own the relationship with their customers

We expect companies to demonstrate a clear commitment – across the entire business – to genuinely understanding and responding to the different needs and requirements of their customers. This is key to building legitimacy and trust.

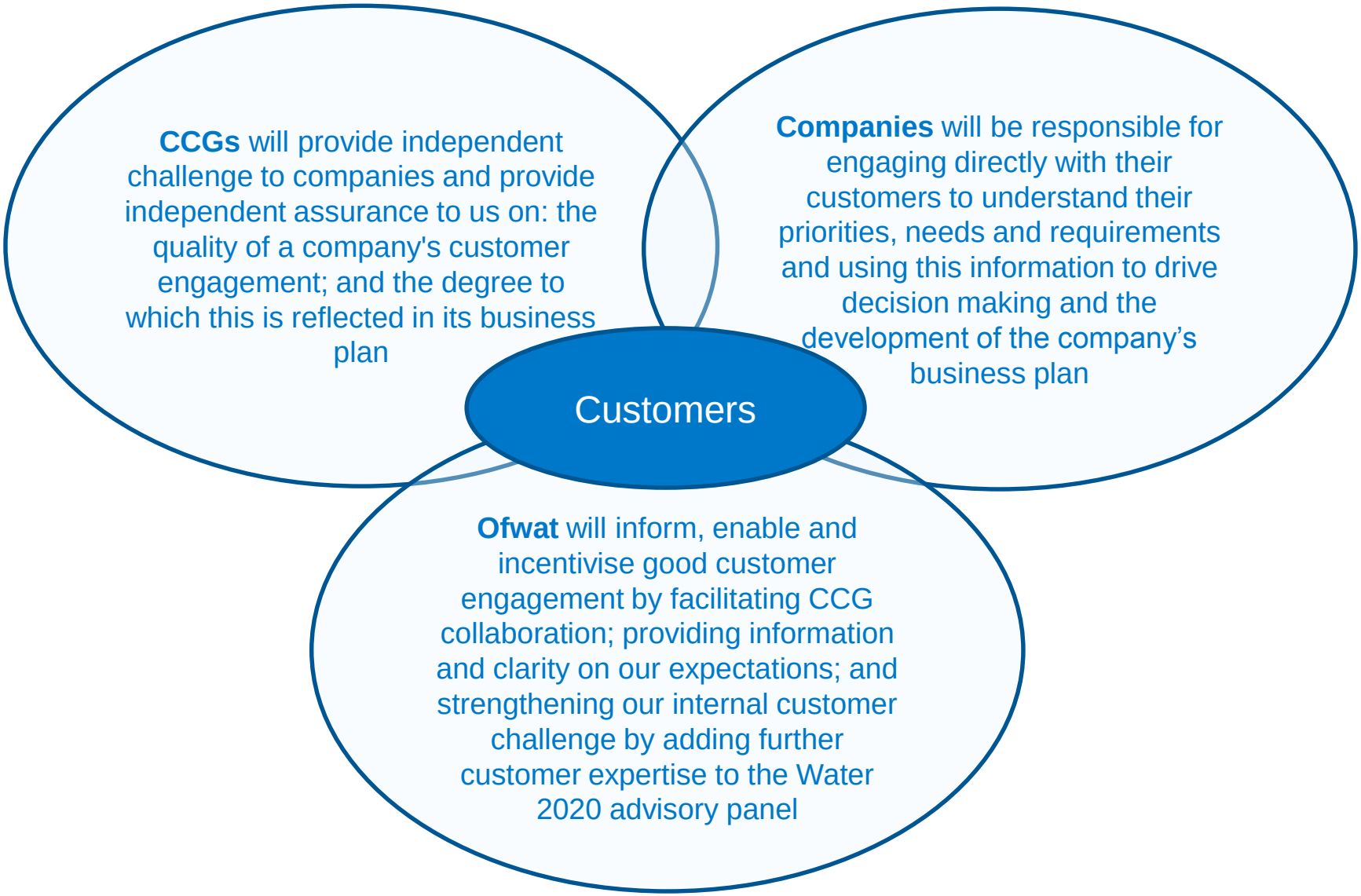
Ensuring a two-way and transparent dialogue which includes educating and informing customers

Engaging on longer-term issues, including resilience

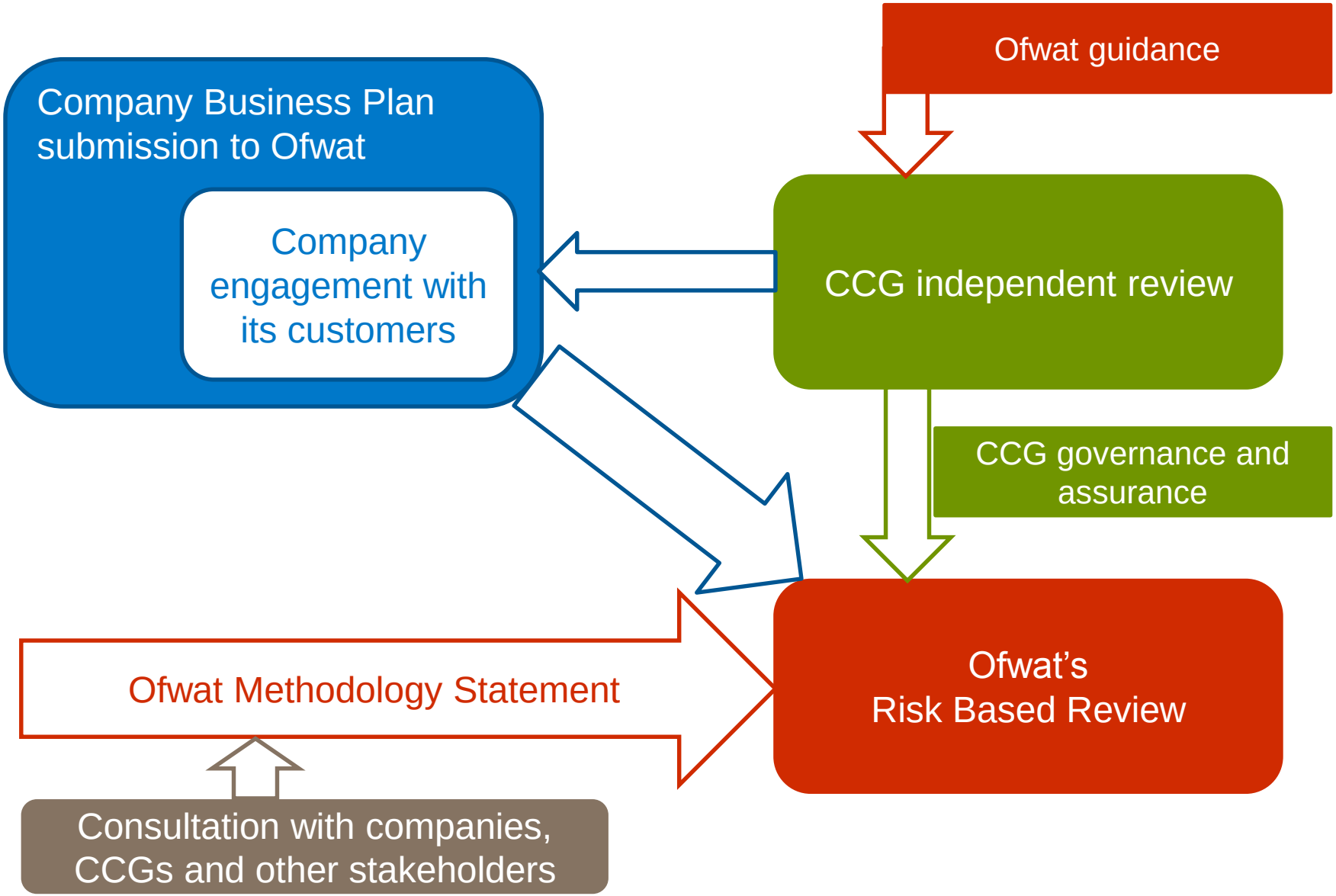
Setting the context through the use of comparative information, with definitions that are consistent across the sector

Understanding the needs and requirements of different customers, including customers in circumstances that might make them vulnerable

Our expectations of the roles and responsibilities



How customers views will be taken into account as part of the risk based review



Close

Georgina Mills