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# Collaborative customer research steering group meeting

10<sup>th</sup> January 2022



# Agenda

- Welcome and introductions
- Terms of reference for steering group meetings
- ODI rates research – update and proposals for research design
- Update on common performance commitments research
- Next steps

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# Terms of reference

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- Approval and adoption of the circulated terms of reference
- Update on stakeholder involvement
- Identifying any gaps in stakeholder groups

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# ODI rates research

# Design Principles

Purpose: research to inform ODI rate setting

- Collaborative
- Relevant
- Comparable
- Fair
- Customer-focussed
- Robust
- Timely

# Centralised Approach

- A centralised approach is proposed, subject to feasibility:
  - Maximises comparability and consistency across companies
  - Enables sampling to be more efficient across water and wastewater areas
  - Provides more analytical opportunities (eg national modelling and benchmarking)
  - Favoured by most companies
- Fieldwork to be commissioned by Ofwat and paid for by companies, subject to procurement and financing solutions being found
- Sample boost option for companies
- Modelling and analysis commissioned and paid for by Ofwat
- Data shared with companies for their own analysis



# Sample Source - HH

- Households (HH), two options:
  - Preferred approach: random sample of HH based on Postal Address File (PAF)
    - Random probability sample
    - Wider target population appropriate (consumers rather than customers) as the research design has moved away from willingness-to-pay
    - Stratified by water provider and wastewater provider areas
    - Potential to oversample areas of high deprivation
  - Online panel based approach:
    - Sample for each water provider
    - Supplemented for small companies (probably PAF for mail sendout)
    - Supplemented for customers not online (probably PAF for mail sendout, targeted at specific areas)
    - Potential comparability issues will need to be considered

# Sample Source - NHH

- Non-households, two options:
  - Preferred approach, customer lists from retailers (companies, in Wales):
    - Random probability sample
    - Contact names, telephone numbers and email addresses may be available
    - Sampling to take account of size (probably bill amount, but could be water usage), either through size bands or selection probabilities proportional to size
    - Supplemented by survey of all the largest NHH customers who do not participate in the retail market
    - Subject to feasibility which is yet to be assessed
  - Backup approach is to use business lists (eg Dunn and Bradstreet) as the sample source:
    - Reasonable coverage of businesses within scope
    - Sample to take account of size (eg number of employees)
    - Contact names not available

# Sample sizes and geography

- Base sample to achieve [500] HH responses for each water provider area with samples stratified by wastewater provider within these (if more than one wastewater provider)
- Base sample of [200] NHH responses for each water provider area and the same sampling principle regarding stratification by wastewater area. More complicated for NHH (requiring pragmatic solutions) due to:
  - Different sizes of businesses
  - Some businesses operating in more than one provider area
- The base sizes of 500 and 200 are provisional and depend on final detailed aspects of design
- Known exception is Hafren Dyfrdwy where a smaller sample or sample supplement may be appropriate
- Every respondent asked about water and wastewater services
- Water services analysis based on water provider areas
- Wastewater analysis based on wastewater service provider areas (there are fewer of these, so the above sample will be sufficient)

# Fieldwork - HH

If PAF based:

- Mailout with options to either;
  - Complete online
  - Request a postal questionnaire
- £10 incentive on completion (could be increased for reminder)
- Some confidence that this will achieve a response rate of approximately 10% and a relatively balanced sample with modal biases offsetting each other

If online panel:

- Online survey for most of the sample
  - PAF approach above (perhaps targeted on specific areas) to boost:
    - Small company samples
    - Digitally excluded customers
  - Again, comparability issues need to be considered

# Fieldwork - NHH

If retail customer list based:

- Online first using names and email addresses, where available, with telephone follow up if response rates are low
- Telephone where email addresses are not available

If business list based:

- Telephone survey

# Design – Potential PC Scope

- List of provisional PCs in scope in the table below
- Translated into a set of customer facing ‘incidents’ for the purpose of the research – suitable for mapping into the PCs


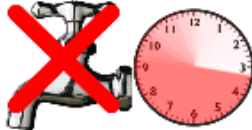

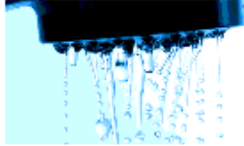
Common PCs for inclusion in the ODI rates research

	Water only	Wastewater only
Customers receiving excellent service everyday	Water supply interruptions Compliance risk index (CRI) Customer contacts about water quality Event risk index (ERI)	Internal sewer flooding External sewer flooding
Environmental outcomes	Leakage PCC (per capita consumption) Business demand	Pollution incidents Discharge compliance Storm overflows Environmental Performance Assessment Bathing water quality River water quality

# Design – Incident Impact

- Results modelled to estimate relative marginal disutilities for each service, standardised for probability of occurrence and households affected

Which of these service issues would have the most impact and which would have the least impact on you?

	 <p><b>DISCOLOURED WATER</b> at your property for a week</p> <p><b>i</b></p>	 <p><b>SHORT-TERM INTERRUPTION</b> to your water supply lasting 6 to 12 hours on average.</p> <p><b>i</b></p>	 <p><b>SEWER FLOODING IN A NEARBY PUBLIC AREA</b></p> <p><b>i</b></p>	 <p><b>PERSISTENT LOW WATER PRESSURE</b> at your property</p> <p><b>i</b></p>
<b>Most impact</b>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Least impact</b>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
	<input type="radio"/> <b>None of these would have an impact on me</b>			

# Design - Pivot

- Two pivots:
  - Supply interruption
  - External sewer flooding
- Used to monetise the pivot service
- Combined with modelled results of impact incidents to monetise the other services
- Note – there is no package element to the valuation

<b>Type of interruption</b>	Planned (48 hours' notice given)
<b>Duration of interruption</b>	6 hours
<b>Compensation paid</b>	£60

Which option would you prefer?

Option A (Interruption + compensation)

Option B (No interruption)



# Analysis

- Econometric model used to estimate relative marginal disutilities for outcomes;
- Monetised using pivots
- Marginal benefit for each outcome for water and wastewater provider areas estimated
- Sample pooled for national model and estimates facilitating (with appropriate weighting):
  - Statistical testing of company differences
  - Separate analysis of vulnerable customers
- Separate models for England and Wales can be generated, if appropriate
- Mapping into PCs

Anonymised microdata available to companies for modelling/analyses (at least at company level, but subject to GDPR and wider considerations, full national dataset)

# Design and Research – Phase 2

## January

- Further design decisions on sampling, fieldwork, research materials
- Work with companies to find a solution to procurement and financing for centralised fieldwork
- Issue draft design materials for consultation and phase 1 report

## February

- review research materials in the light of consultation responses and script
- 12 depth interviews report on findings
- Review with Steering Group
- Cognitive interviews

## March

- Reviewing cognitive interviews with Steering Group and revise research materials
- Piloting
- Final Stage 4 report, Steering Group and industry workshop
- Appoint fieldwork agency



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Performance  
Commitments Research



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# Identifying consumer views on service priorities for common performance commitments (PCs)

CCW and Ofwat commissioned Yonder to conduct qualitative research on Ofwat's proposed common performance commitment areas.

The research objectives were to identify consumer views on:

## **Proposed coverage of common PCs**

- How far these match the services that matter most to customers

- Any gaps in service areas that may need further consideration as a potential PC

## **The wording of common PC service descriptions and service levels**

- Test consumer understanding of potential service and service level descriptions

- Identify ways of making these as meaningful as possible to consumers

However, although it was discussed, we were limited in terms how much we could explore the wording of things due to time constraints.

# Methodology

Online discussions and depth interviews spread across England and Wales

## **12 x 90 minute focus groups**

- including future bill-payers

## **16 x 60 minute depth interviews**

- including non households
- people who speak English as a second language

## **High level approach**

- Identify uniformed and spontaneous thoughts on what services are important
- Prioritise top and bottom four service areas and why
- Prompted views on a mix of service areas shown to people, which was updated each night; new service areas outside of Ofwat's proposed list were introduced to reduce the potential for anchoring and included service areas identified spontaneously by people at earlier groups
- For two or three services, talk about how they are presented and performance is measured

# High level snap shot of initial findings

There is much more analysis to do!

But unsurprisingly, ***people relate most readily to service aspects which directly impact them as being most important***

- EG. supply interruption, bill affordability, customer service
- People are sensitive to the environment - driven by a combination of:
  - High profile in the news and topical e.g. major pollution incidents in or close to local area
  - Personal agenda and politics
  - Little indication that life-stage has a major bearing on predisposition towards environmental service aspects

***Because people relate more easily to certain services, some are harder to evaluate. Some services can be initially harder to grasp and prioritise, but on reflection might still feel important to people.***

# People struggle with metrics; understanding increases with age



***The different ways in which services can be measured*** e.g. contacts per XXXX customers, number of sewer flooding incidents per XXXX, are ***hard for many to relate to and make it difficult to evaluate services.***

Typically, people want to know:

- How they will be affected
- How long they will be affected for
- Water company response time (not incidence)

Across many service aspects, having a warning (or the incident being planned) was a significant satisfier for people.

***Older people were better able to engage*** with and discuss services, reflecting greater life experience and perhaps more time to engage with services with bills

***Future bill payers struggled most*** – they had less knowledge to start with, and although environmentally engaged they were less knowledgeable about these than some of the older discussion groups

# Spontaneous priorities

## *Spontaneous discussions consistently reference service aspects outside of core Ofwat list*

The following were added to the stimulus materials and consistently emerged as important to customers:

- ***Fairness and affordability***
  - interpreted by participants as more fairness and paying for what you use
- ***Resilience***
  - both preparations to mitigate outages now and future investment in network
  - people don't use the term resilience; instead, they describe activities which relate to resilience as being a priority for companies to do, such as investment in infrastructure and upgrading the network.

***Other things which emerged spontaneously were also added to the stimulus materials, but once compared with other services were seen as lower priority.***



# How well do the service areas on Ofwat's proposed common PC list match with consumer priorities?



Yonder have created an ***evaluation framework***, based on how people assess the importance of different aspects of service to them.

The framework ***explains why things are, or are not important to consumers*** - more detail on this will be in the final report.

Unplanned water supply interruptions, the appearance, taste and smell of tap water, and internal sewer flooding were highly important; hosepipe bans, water pressure and restrictions due to severe drought – such as standpipes and rota cuts - were relatively less important than other service aspects.

However, ***this is a complex picture and one which Ofwat and CCW will give further considered thought to.***

## Next steps

- Detailed debrief by the end of this week
- Report to be refined
- Publication on Ofwat and CCW's website in January/February 2022
- Ofwat and CCW to review proposed common PC service areas

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# Next steps

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# Next steps

- Minimum standards
- Central oversight group
- Econometric modelling
- ITT for centralised research
- Next meeting – 14<sup>th</sup> February 2022