

## **Note of PR24 collaborative customer research steering group(s) meeting**

**13 June 2022**

### **1. Actions from last meeting**

The steering group(s)' action log was shared with the meeting papers and key actions outlined at the meeting. All actions are complete or ongoing.

### **2. ODI rates research: Update**

Ofwat gave an update on the progress of the ODI rates research. Particularly, an update on the progress of the contractual arrangements was given. This involved the actions to be taken by companies over the following days.

**Action:** Ofwat to email the contracts for signing. Companies to reply no later than 15th June.

Ofwat gave an update on the method of surveying non-household customers, as well as considerations for Welsh customers.

**Action:** Ofwat/CCW to send a tracked changes version of survey materials to companies by the end of w/c 13th June.

[Later in the meeting - Ofwat confirmed that the contractual documents can be considered to be 'contracts' rather than 'deeds.']

### **3. ODI rates research: Second pilot results and proposals**

Accent/PJM provided updates and results from the second pilot survey. Differences in results between 'version 1' and 'version 2' (the revised original methodology, and that initially proposed by Prof. Stephane Hess, respectively). It was explained that the results from version 1 were more satisfactory, and this was reinforced by peer reviewers, and Prof. Stephane Hess in this particular context.

Steering group attendees questioned the use of 'compensation' terminology for service failures where compensation is not available. It was argued that this would raise unrealistic customer expectations. Accent/PJM replied that an explanation was written into the introduction of the survey, and that a compensation valuation was essential to the overall methodology..

Accent/PJM's recommendations following the second pilot, accepted by Ofwat/CCW:

- Use 'version 1' – the revised original methodology
- Revert to the use of the word 'compensation' over 'one-off payment' due to confusion observed in the second pilot
- Add in questions to ask respondents why they chose particular options
- Analyse survey response data to identify those who rush through the survey.

**Action:** Ofwat/CCW to share the final versions of the Second pilot results report and Cognitive testing report, once available.

Ofwat/Accent/PJM responded to points raised by steering group attendees as follows:

Point	Response
Will the mean or median results be used?	It is not yet decided whether the mean or median will be used, although early direction from peer reviewers is that the median may be most appropriate.
Will the impact exercise always include a pair of options including one 'planned' and one 'unexpected'?	No. This is not the case. The methodology does not rely on fixed selections of alternative service attributes.

Ofwat thanked Accent/PJM Economics for their considerable effort, with a tight timescale, on the second pilot.

#### 4. Affordability and Acceptability Testing - proposal

CCW outlined the proposal for developing an approach for affordability and acceptability testing that can be adopted by all companies during business plan development. This includes commissioning research specialists to provide expert input.

The following comments were made by steering group attendees, in response to a question about what issues need to be considered during development of the approach to research:

Point	Response
Consider whether an objective approach should be used, allowing analysis to be updated e.g., CEPA set baseline water poverty at the 5% marker (of net household income)	Objective measures can be considered, but subjective matters such as customers' perception of their ability to pay are also important.
Should the method devised for research to inform WRMPs be a starting point?	We are happy to consider this suggestion.
There needs to be consideration of how the potential introduction of the Single Social Tariff can be accommodated.	This is one of the considerations that we've already identified.
Should the research use real or nominal bills.	We will add this to the list of considerations during methodology development.
What is the expectation for the timing of acceptability and affordability testing?	We are expecting companies to be testing draft plans with customers (so that plans can be changed based on findings) and we are planning to do similar testing on Ofwat's draft determinations.
Learn from similar research in other sectors.	We welcome ideas from other sectors.

CCW reminded companies of the request for information about their approaches to acceptability and affordability to help inform the development of a new commonly applied method at PR24, with responses required by the end of June 2022.

#### 6. Next steps



Ofwat and CCW outlined the key next steps for the collaborative research approach including the contractual arrangements. Ofwat confirmed that it accepts the recommendations made in the Second pilot report. The request for submission of information related to affordability and acceptability testing was reiterated.

The next steering group meeting will be on 11 July 2022.