

Ofwat feedback on AW's 2020-2025 plan March 2019

Feedback from the Love Every Drop online community

Prepared for Anglian Water

by incling 22.03.2019



In this report...

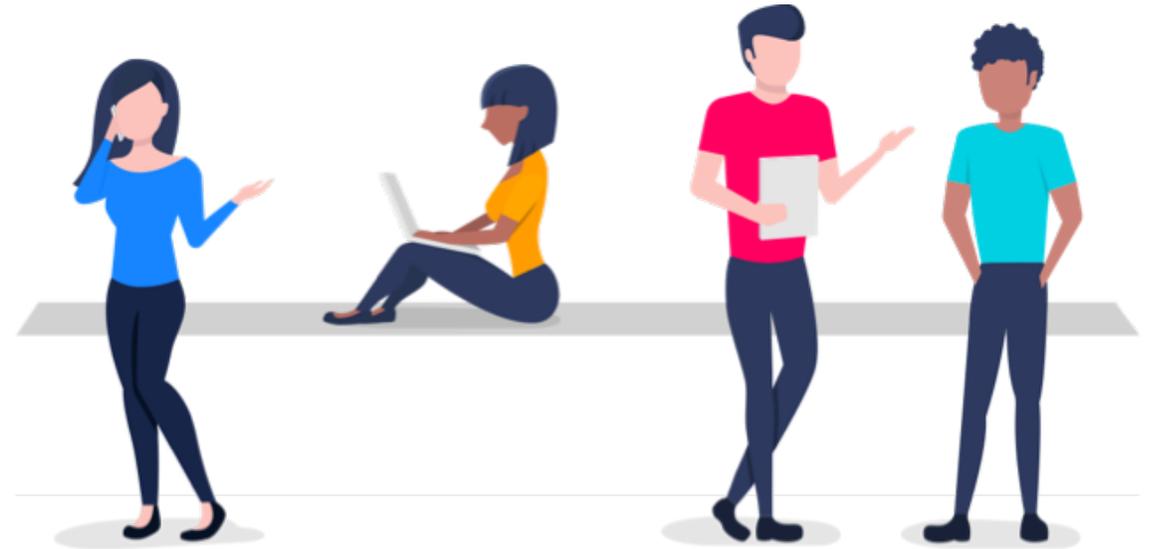
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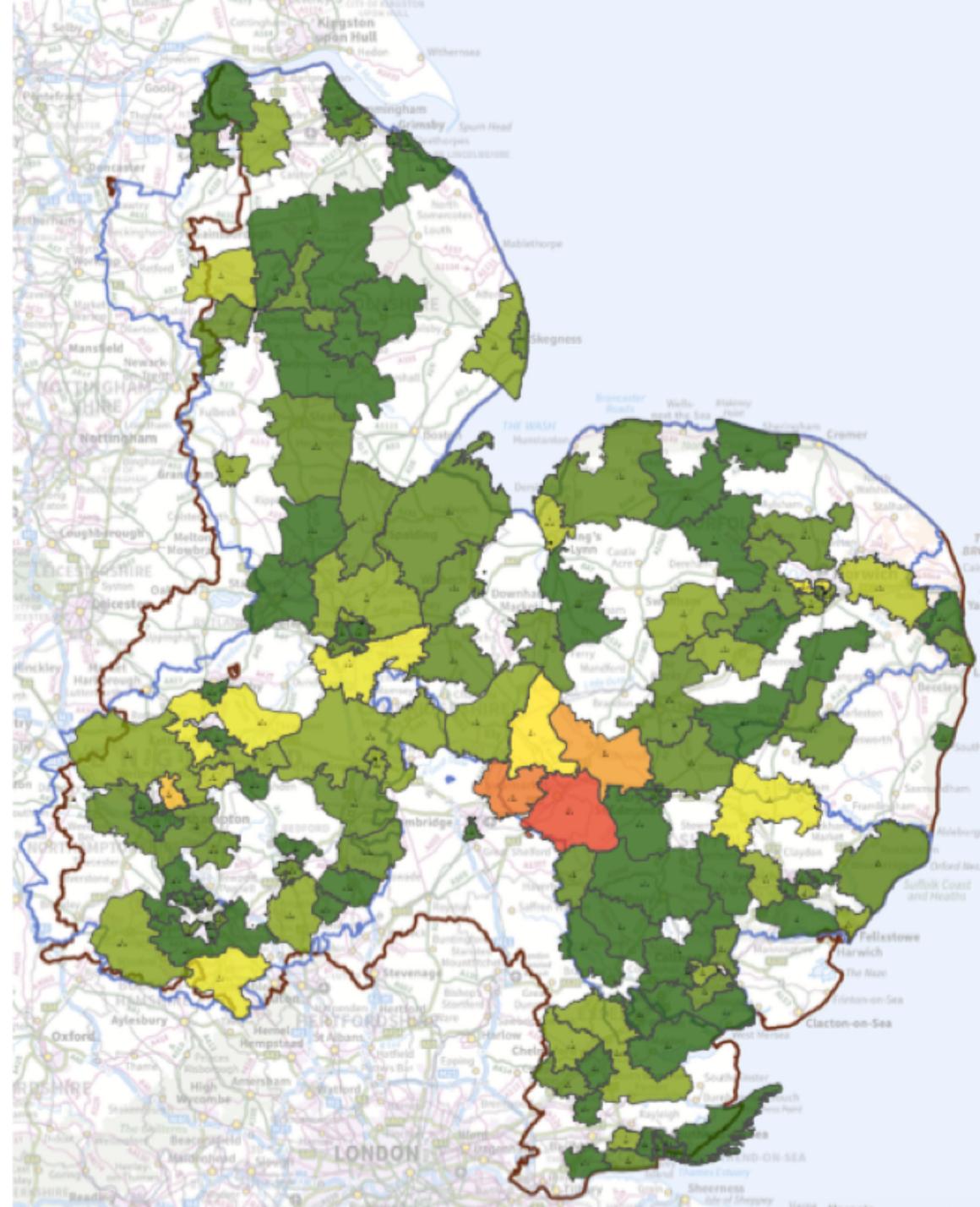
05 | Bill Profiles



We engaged with Anglian Water customers over a 5-week period

THE AUDIENCE THAT TOOK PART

- Between 80 and 105 customers took part each week
- Spread of age and gender
- Representation from all 6 customer segments
- Geographical spread across the Anglian Water region



Objectives of this customer engagement focus on 5 key areas of the 2020-2025 plan

★ OFFICIAL

2 New Changes: Vulnerability & Affordability

★ OFFICIAL

Bathing Waters: Performance area

★ OFFICIAL

Setting targets (part 1/4)

★ OFFICIAL

Environmental Obligations

★ OFFICIAL

The impact on bills

TO EXPLORE REACTION TO 2 NEW ODIs

- **Affordability:** Additional measures proposed to identify those with 'affordability' needs.
- **Vulnerability:** Additional accreditation around aligning with communication standards.

TO VALIDATE SUPPORT AROUND BATHING WATERS

- **Validation** of customers support around AW's proposed 5 year measure of bathing water quality and potential bill impact.

TO VALIDATE SUPPORT AROUND DEADBANDS

- To **identify the value** customers place on AW's proposed deadbands around leakage, sewer collapses, external sewer flooding and bathing water quality.

TO VALIDATE WINEP INCENTIVE MECHANIC

- To **validate support** around AW's incentive mechanic around challenging the need for certain proposals, if deemed unsuitable.

TO EXPLORE REACTION TO THE BILL PROJECTIONS

- To **inform and garner responses** to the changes to the Anglian Water plan and the effect on bill projections.

Synopsis: Customers support the changes overall, without any *major* rejection



- ✓ **Vulnerability ODI:** Customers support the idea of the yearly BSI accreditation reporting, seeing it as an additional ‘quality-check’ around communications with vulnerable customers
 - A minority do question the impact the accreditation will genuinely have on the ways AW communicates with customers and what this will add beyond what AW has already proposed in its plan.
- ✓ **Affordability ODI:** The notion of providing greater proactive measures in order to identify affordability issues **is valuable to most**
 - There are some concerns around the idea of external credit checks being used to identify ‘affordability issues’, primarily as these are not necessarily a reflection of needing support around water bills, or may not help identify those in ‘genuine’ need.

Synopsis: Customers support the changes overall, without any *major* rejection



- ✓ **Bathing Waters:** A majority of customers agree that the 5-year measure is logical, customers place value on greater consistency in bills rather than year to year fluctuation
 - A third of customers, however, have some concerns, either based around a rejection that their bills should be influenced by something as volatile as water quality or a minority preferring a yearly bill impact out of concern for a high 'lump sum'.
- ✓ **Deadbands:** All 4 deadband areas were thought to be valuable, **with more positive than negative reactions**. Whilst customers express not being experts in this space, the overall perception is that there is still drive for towards improvement.
 - ✓ Deadbands that have kept the current 2020 forecast as the 2025 target as a minimum **received high value ratings** as suggested consistent or better performance (i.e. Leaks and Bathing Waters).
 - Deadbands that have wider buffer zone received lower value rating as the performance felt as if it could decrease, however, a majority of customers still placed high value rating on these (i.e. Sewer Collapses and External Sewer Flooding).

Synopsis: Customers support the changes overall, without any *major* rejection



- ✓ **WINEP:** There is **customer support** for AW being incentivised in order to challenge EA programs deemed no longer fit for purpose, seen as more honest and worthwhile than simply going ahead with the project.
 - ✓ A **majority are ok with AW keeping 10%** of the allocated cost, with the remainder going back to lower customer bills.
 - The main area resistance is around a preference for the incentive amount to be **the exact value AW spent** during the investigation of the project as a more accurate reflection of the money spent (vs a one-size-all approach).

- ✓ **Bill Profiles:** Overall, lowering bills and banning metaldehyde has increased customers' already high perception of value in Anglian Water.
 - ✓ The majority are pleased to see bills going downwards, even if only slightly, with savings passed on to customers.
 - Only a small minority question the data and accuracy of predictions, or found it difficult to assess the value of the decrease.

Section 1: Affordability & Vulnerability ODIs

2 New ODIs: information shared & how we engaged with customers

BRITISH STANDARDS INSTITUTE AIM:
To improve how we communicate with vulnerable customers

What AW has already proposed and is doing:

- Our initial business plan includes a commitment to achieve British Standards Institute (BSI) certification for our customer communications. To achieve this certification we must meet a number of criteria, including identifying and responding to consumer vulnerability.
- We will work towards the crystal mark BS English for key literature such as billing reminders to help make our communications accessible to all.

Ofwat's feedback and suggestions:

- As part of its initial assessment of our business plan, Ofwat requested that we should propose a reputation commitment on achieving the BSI for fair, accessible services for all and maintaining it throughout the period.
 - This would involve reporting annually on our progress to achieve BSI accreditation for service provision.

AFFORDABILITY AIM:
To improve the support we offer customers

What AW has already proposed and is doing:

- Our plan includes assistance options for customers who are struggling or are at risk of struggling to pay.
- This includes a 50% increase in the number of customers receiving our social tariff in AMP7 (2020 – 2025), working with third parties to actively promote affordability assistance, and highlighting where customers may be able to access benefits to help their financial situation.

What Ofwat is asking, and what AW are proposing:

- In its initial assessment of our business plan, Ofwat considered that this support demonstrated an effective overall approach to supporting customers who struggle, or are at risk of struggling to pay their water bill.
- However, Ofwat has also asked us to propose a performance commitment relating to supporting customers who struggle to pay, or are at risk of struggling to pay.
 - We will identify customers who are likely to experience affordability issues by checking their credit score in our telephony platform, and then routing customers who have a high affordability risk to our ExtraCare team, who help us to better understand the needs of the customers, identify the affordability schemes and sign-post customers to relevant third-party organisations for additional support.
 - Around 20% of customers in our region have difficulties paying their bill. We are therefore developing a commitment for at least 20% of non-operational calls from customers to be routed to the ExtraCare team to help us provide the appropriate support to customers who are likely to struggle to pay their bill.

1) How we shared background information:

The stimulus included a brief explanation of AW's current plan, as well as an explanation of the new additions that Ofwat have suggested be implemented by Anglian Water.

2) How we gathered customer reactions:

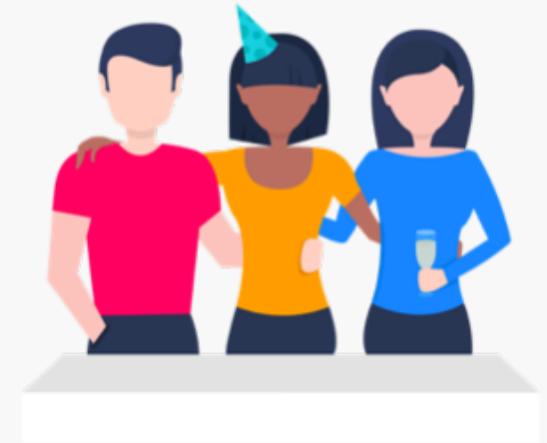
We asked customers to read and feedback on the new parts of the ODIs, and point out those parts that they feel are most useful.

The activity was run using a Concept Evaluation tool, where customers could drop different coloured pins on specific parts of the ODI indicating usefulness while writing a short comment to explain their selection.

Overall reactions to new ODIs are positive, with concerns focussing primarily on impact

With most customers finding the changes appropriate and sensible, they welcome additional adjustments to the plan around vulnerability.

- ✓ **Greater vulnerable support:** Customers responded well to the changes Ofwat suggested. Most seeing them as sensible, achievable and worthwhile adjustments designed to increase AW's effectiveness in supporting those who need support.
- **Real impact?** While most are on-board, there is a sense that the suggestions made by Ofwat aren't entirely different to what AW had already proposed. Some customers question the impact these changes will bring and interpret Ofwat's feedback as being more about administrative processes to comply with, rather than instigating improvement and change from a customer's perspective.



I think all sounds positive, both AW proposals and Ofwat's comments/requirements. Overall it is vital that those who genuinely need help are given it.

Eco Economiser

I consider the proposals AW have put forward as sensible and achievable. Ofwat's ideas are virtually the same as AW, and seem to be 'nit picking'.

Comfortable and Caring

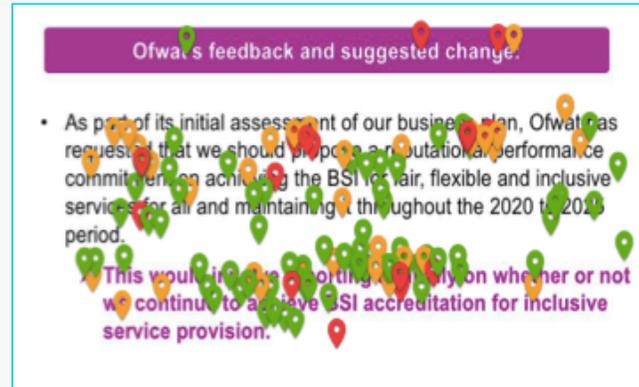
I do not see that Ofwat wording adds anything to what AW are aiming to do.

Comfortable and Caring

BSI & vulnerability: Most agree with the additional 'quality-check' the accreditation offers

MOST support the key aspects of the proposed change as it deals with improving vulnerability:

- ✓ Seen as another 'quality check' to ensure those in need of clear and accessible information are being looked after.
- ✓ Annual reporting is a good way to ensure consistent quality and communication.
- ✓ The focus on BSI accreditation is seen as a good way to maintain standards and ensure communication goals are met.



But the minority aren't convinced all aspects are necessary, or will have a visible impact:

- Some question whether annual reporting will make an impact on how AW communicates day to day with customers – the reporting process is seen as simply administrative rather than active change.
- There are some worries that the report may tie up resources unnecessarily; money and efforts could be better spent elsewhere.

This is a commitment to achieve the standard and maintain it.

Family First

This is fairly standard for organisations with accreditation from BSI, prove that the requirements are met.

Protective Provincial

As a person involved with people with disabilities I don't think having a BSI accreditation or reporting that has been met each year will improve the service you offer. You need to target those that are vulnerable and make it easy for them to get help. You need to promote the water sure tariffs, I have told many people about it who would not otherwise know.

Family First

Hm ok, lets hope doing this isn't that expensive? As reporting on progress does not necessarily improve progress!

Family First

Annual review will tie up resources that could be used to ensure goals are achieved.

Eco Economiser

Affordability: While preventative measures resonate, some question the process

Many customers find that these proactive changes focus on more ways to help those who need support:

- ✓ Introduces a more sustainable approach by encouraging greater preventative methods towards identifying affordability issues before they become severe.
- ✓ Suggests greater dedication from AW towards supporting those who struggle – particularly the dedicated team who will be experts in identifying customer needs.

What Ofwat is asking, and what AW are proposing:

- In its initial assessment of our business plan, Ofwat considered that the support demonstrates an effective overall approach to supporting customers who struggle, or are at risk of struggling to pay their water bill.
- However, Ofwat has also asked us to propose a performance commitment relating to supporting customers who struggle to pay, or are at risk of struggling to pay.

We will identify customers who are likely to experience affordability issues, by checking their credit score in our telephone platform, and for some customers who have a high affordability risk to our external team, who help us to better understand the needs of the customers, identify the affordability schemes and sign-post customers to relevant third-party organisations for additional support.

Around 20% of customers in our region have difficulties paying their bill. We are therefore developing a commitment for at least one of our operational calls from customers to be routed to the External team to help us provide the appropriate support to customers who are likely to struggle to pay their bill.

Primary concerns exist around whether these measures will truly identify customers in need:

- The idea of a credit check is off-putting as it feels invasive, nor is it necessarily an accurate reflection of whether someone needs help with their water bill.
- The underlying debate around how ‘vulnerables’ are identified remains: there is a persistent concern around whether it is deserving people that are being identified.

Great thought - dedicated team deal with specific financial issues, enables quality training for staff and improve customer service.

Tech Savvy

Best to identify and support people before they get into difficulty paying the bill.

Tech Savvy

As a customer who has known the stigma of being in debt, but not a "bad-payer", I am not too sure if I would like someone to get hold of my credit score and act on the information given.

Comfortable and Caring

I know some people genuinely need help due to their circumstances but a lot of the others in this 20% will find money for alcohol, cigarettes and gambling.

Careful Budgeter

Section 2: Bathing Waters measure

Bathing Waters: information shared & how we engaged with customers

BACKGROUND TO THE PLAN:

Anglian Water proposed a performance commitment in their plan for all beaches to be rated **good** or **excellent** by 2025. Depending on how Anglian Water perform against their performance commitments **customers will either see an increase or a decrease in their bills**. For example:

- If Anglian Water outperforms a commitment and gets a reward for the company for this result, it means that they are allowed to make extra 'profit' and can put bills up to achieve this.
- Now let's imagine that Anglian Water underperforms against their performance target, in this case a penalty for the company for this result means they have to give up some profit, by cutting bills.

These bill changes can be applied in two different ways:

- As soon as possible, so that there could be changes to bills every year to reflect the company's performance in the previous year. Your bill could go up and down each year.
- The alternative is that the company waits until the end of the 5 year business plan period (2020-25), and then tallies up all the penalties and rewards, and makes the appropriate change in bills in its calculation of bills for the next 5 years.

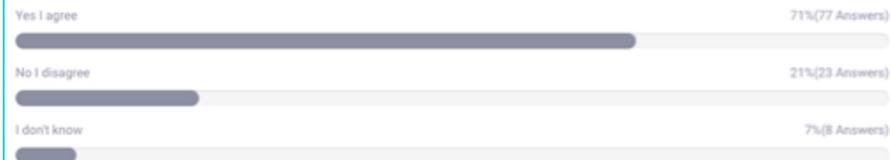
Anglian Water will apply mo

For bathing waters, Anglian Water thinks that performance should be measured at the end of the 5 year period, because to measure it each year could cause increases one year followed by decreases the next.

There are two reasons for this:

- Each year bathing water classifications are calculated by the Environment Agency. This is based on 4 years worth of water quality samples. Any improvements in the quality of bathing water in Anglian's region will take time to affect the classification following investment in improvements.
- There can be a natural fluctuation in quality at some bathing waters, due to the actions of other parties causing pollution. For example Local Council cleaning of seaweed from seawalls. Anglian Water could therefore be exposed to a penalty in individual years due to the action of other parties.

Do you agree that it is sensible for this to be a performance area assessed at the end of the 5 years (i.e. in 2025) so that bills do not change year to year for this measure? (Please give a short reason for your answer in the comment box)



1) How we shared background information:

The stimulus included the background to AW's current plan, including how the incentive and penalty mechanism works, as well as the options on how water quality measures could be applied yearly or across 5 years.

2) How we gathered customer reactions:

We asked customers to read and feedback on AW's proposed plan around measuring bathing water quality by:

- 1) Answering a poll question to gather topline votes on whether customers agree with the proposed plan.
- 2) Entering in an open text debate around the rationale behind their vote in the poll.

The idea of longer-term adjustments feels logical to customers, but a third are sceptical

MOST customers **support** the idea of an 'overall adjustment' that doesn't fluctuate year to year:

- ✓ A longer term approach feels sensible in the light of **potential fluctuations** in quality from year to year.
- ✓ There is agreement that taking a wider look at the changes in quality will give a more 'balanced' measure over the period of time.
- ✓ From a customer perspective, the idea of greater fluctuation year to year feels less desirable with many preferring greater consistency.

However nearly a third of customers disagree or are not certain, with reservations driven by:

- A view that customer bills should not be influenced by something as volatile as water quality - especially when out of AW's control.
- A concern that customers experience an unexpectedly high 'lump sum' increase at the end of 5 years if bills go up drastically.
- A question around how they as customers are able to make an informed choice on this measure, if their preference will always be for lower bills.

Customers would prefer to see an overall adjustment rather than have the bills fluctuate constantly.

Protective Provincial

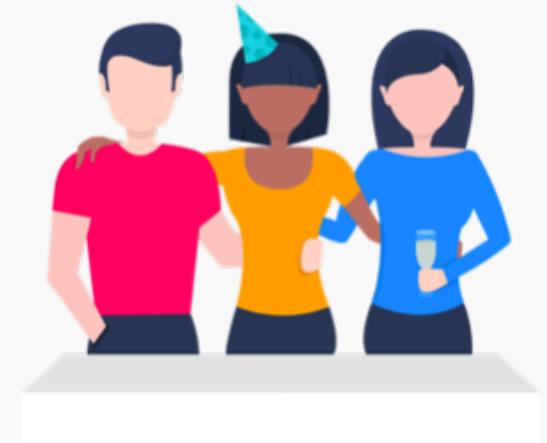
Natural effects and human activity can cause annual fluctuations that make sense to be averaged out over a 5 year period. I also think customers would get annoyed by annual variations in their bills.

Tech Savvy

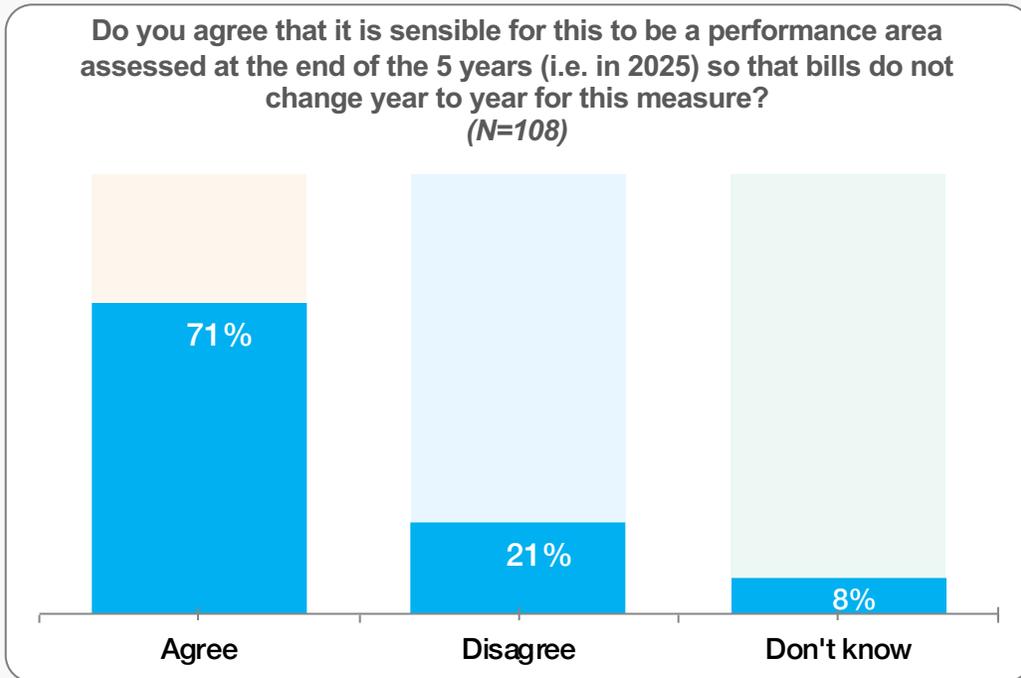
To calculate peoples bills based on the quality of bathing water is completely ridiculous.

Protective Provincial

Overall customers support the Bathing Waters 5 year strategy



When given the choice, a **MAJORITY** of customers were in agreement with the 5-year assessment around water quality.



All processes show variation. It is important to respond to real trend within data and not to knee jerk at noise. Five year data should demonstrate a smooth trend.

Tech Savvy

- ✓ **71% are in agreement:** A majority of customers agree that a 5-year approach is a sensible way forward.
- With **21% percent disagreeing** with the plan and **8% uncertain** which is the better option.

Those who selected disagree or don't know, generally have 3 different drivers

Of the 31 of customers who didn't agree with the 5 year plan, just over half of them would rather the annual assessment.

18 Customers

Would rather annual assessment

The majority feel that annual assessment is more accurate so they aren't likely to have to pay a large lump sum after 5 years. Some mention 5 years is too long since many people will have moved within that time and won't reap the benefits.

11 Customers

Reject the incentive structure

Many customers feel that the mechanics of the incentive / penalty structure isn't very fair, especially when it comes to variables like bathing waters that are susceptible to external polluters.

3 Customers

Don't feel equipped to make the choice

This minority either felt underqualified to make the call or felt that they'd like more information on cost implications between the two options before making a decision.

I envisage the average over 5 years to be quite high, especially if they have overperformed year on year, so I would prefer the smaller highs or lows.

Tech Savvy

I find this a very odd performance target as if Anglian Water fail I, as I customer, will see lower bills yet if they succeed I will see higher bills. As I prefer to see lower bills I would want Anglian Water to fail on this performance target, which is completely absurd.

Tech Savvy

Without the information on costs involved I do not think an answer can be given because the details we need to make that answer are incomplete.

Comfortable & Caring

Section 3: Reaction to Deadbands

4 Deadband Areas: information shared & how we engaged with customers

1. LEAKAGE performance commitment:

This measure looks at AW's performance in reducing leakage across the network – both from AW's pipes but also those in customers' homes. Performance is measured on the volume of water lost on average over three years. The less water leaked the better.

AW is the best in the industry at reducing leakage.

- Leakage forecast for 2019-2020: 177 megalitres per day
- **Leakage Target 2024-25: 166 megalitres per day**
- Buffer zone for 2024-25: 177 megalitres per day

Rationale for approach

At 177 megalitres a day, Anglian Water would still be the best in the industry. They do not think it is appropriate for them to be penalised while seeking to push the frontier – they have proposed a buffer zone set at the level of leakage they are aiming to achieve by 2020. This means they will still be penalised if they get worse and must improve to get rewarded.

2. SEWER COLLAPSES performance commitment:

This target is measured by the number of sewer collapses per 1,000 km of pipes. The fewer the number of collapses the better.

AW is an above average performer in this area.

- Sewer collapse forecast for 2019-2020: 469 collapses per 1,000 km of pipes
- **Sewer collapse target 2024-25: 421 collapses per 1,000 km of pipes**
- Buffer zone for 2024-25: 521 collapses per 1,000 km of pipes

Rationale for approach

This performance commitment is influenced by things outside the company's control, for example, the weather. They propose a buffer zone of 100 collapses above the target before they would be penalised for this performance (meaning bills might come down). There is no reward for this performance commitment (meaning bills would not increase).

3. EXTERNAL SEWER FLOODING performance commitment:

Sewer flooding occurs when sewage escapes from a pipe, either through a manhole or from a drain. External flooding affects gardens and public spaces. This performance commitment is the number of areas affected externally by sewer flooding. The fewer number of flooding incidents the better.

AW is an above average performer in this area.

- Sewer flooding forecast for 2019-2020: 4,241 number of areas flooded
- **Sewer flooding Target 2024-25: 3,991 number of areas flooded**
- Buffer zone for 2024-25: Max. 4,465 before they are penalised and min. 3,378 number of areas flooded before they are rewarded

Rationale for approach

This is a volatile measure. Performance is strongly influenced by the weather. If it's a dry year, the level of flooding is much lower than in wet years. The penalty buffer zone is based on our current target. So if we perform worse than we perform now i.e. more areas are flooded, AW will be penalised.

The reward buffer zone is based on improvements in our average performance - so will not be rewarded unless we are much better than we have been in the past.

1) How we shared background information:

We broke down the crux of the deadbands for customers into more digestible information, including the figures for each deadband broken down into 3 groups: 2019-2020 forecast; 2024-2025 target; 2024-2025 buffer zone.

2) How we captured their response:

We then asked customers to share their thoughts on the approach and assumed rationale behind the targets, and asked them to rate each deadband on a scale from 0 – 10.

4. BATHING WATERS ATTAINING EXCELLENT STATUS performance commitment:

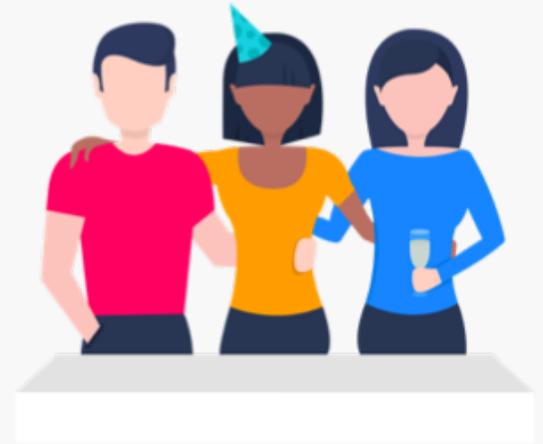
The target is based on the quality of water around coastal beaches in the AW region, measured by the Environment Agency. The higher the number of bathing waters attaining excellent status the better. AW has 49 bathing waters in total in their region.

- Bathing waters forecast for 2019-2020: 33 number of 'excellent' bathing waters
- **Bathing waters Target 2024-25: 36 number of 'excellent' bathing waters**
- Buffer zone for 2024-25: 33 number of 'excellent' bathing waters

Rationale for approach

Anglian Water is not the only party than can influence bathing water quality. Other parties, such as councils and farmers, can also have an impact on water quality. To reflect the impact of factors outside of their control, Anglian Water is proposing a buffer zone to be set at 33, the number of beaches we expect to be excellent in 2019/20. This means that any degradation in performance (even if caused by third parties) would see them penalised.

Customers feel overall the Performance Commitments show **greater improvement**



The deadbands seem reasonable and are generally well received

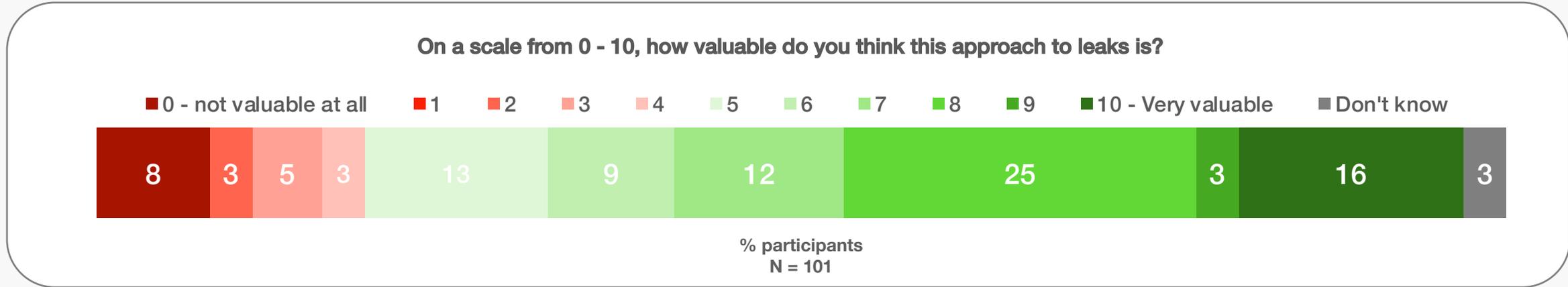
- ✓ On balance, all 4 deadband areas received more positive than negative responses. Customers place more value on plans where the buffer zone is kept to the current performance as a minimum.
- ✓ In the right direction – the trend for increased performance across the board meets customer expectation for continual improvement.
- However, it is not always easy for customers to assess how stretching the target is, or how ‘lenient’ the buffer zone is as they simply don’t have the expertise.
- A common complaint is that they don’t feel they as customers should be ‘penalised’ by higher bills just because Anglian Water improve – this is a wider complaint about the incentives mechanic.

Sets a good baseline for future improvement, and an incentive to not drop the ball.
Protective Provincial

I am totally against this 'carrot and stick' approach to target achievement, whatever happens someone has to foot the bill for it.
Eco Economiser

Leakage Deadband: A majority are in favour, but some prefer improvement as a minimum

65% of customers rated the plan a 6 or above (on a 10-point value rating scale), indicating majority support.



Lowest value concerns:

- Demand for a target, even if it's small, to show leaks continue to be a top priority.
- Feels like the relaxed target allows AW to increase bills without doing the work to improve.

I think this is wrong. They are ahead and should be able to stay ahead. Having "no target" is lazy, even if it is small.

Family First

Middling value views:

- Despite being ahead of others, some feel AW should be striving harder for fewer leakages or they may not stay industry leaders.

Should we not be seeking to improve anyway? There is no guarantee 177ML will still be best-in-industry by 2024.

Family First

High value points:

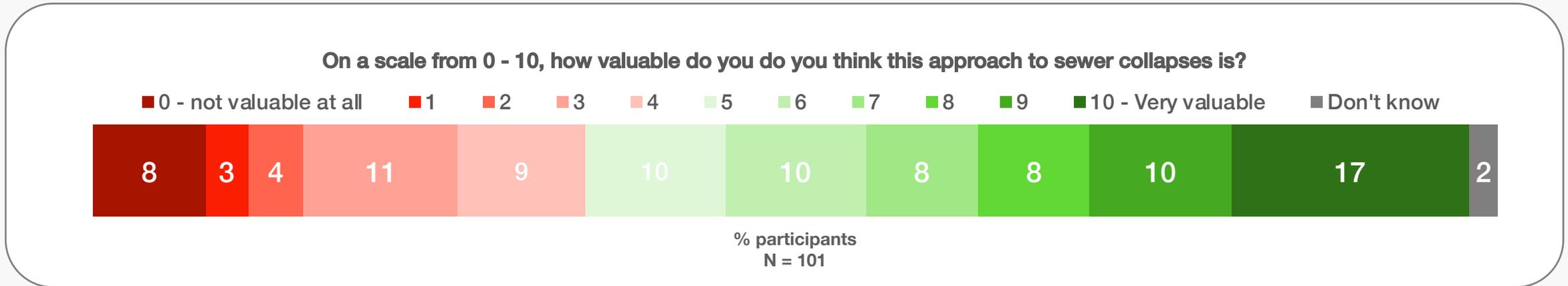
- The buffer of 177 feels fair as AW should not be penalised for simply being the best.
- Feels motivating to still have a target even in the context of already being ahead of others.

If AW are the best in the industry then I agree that you should not be penalised and the buffer zone seems to be a good compromise.

Eco Economiser

Sewer Collapse: Reaction is more muted, customers find it harder to buy into the improvement

At 53%, just over half of customers rated this at a 6 or higher, mainly due to the large buffer zone.



Lowest value concerns:

- Some feel that having a large buffer allows AW to be lax about ensuring there are fewer sewer collapses.
- Others question the need for targets in the first place, if the variables aren't within AW's control.

Middling value views:

- The buffer zone of 100 collapses feels too high and not challenging enough for AW's capabilities, particularly as it's so far in the future. Feels like this should be 2020's forecast.

High value points:

- Seems like a fair margin, considering a large proportion is outside AW's control.
- The targets seem realistic and achievable due to potential fluctuations due to weather.

Buffer zone should be the same or better than proposed. As it is the buffer zone is worse and actually allows AW to not care about it as there is no penalty.

Tech Savvy

I don't think the buffer zone of 100 collapses is challenging enough for AW.

Careful Budgeter

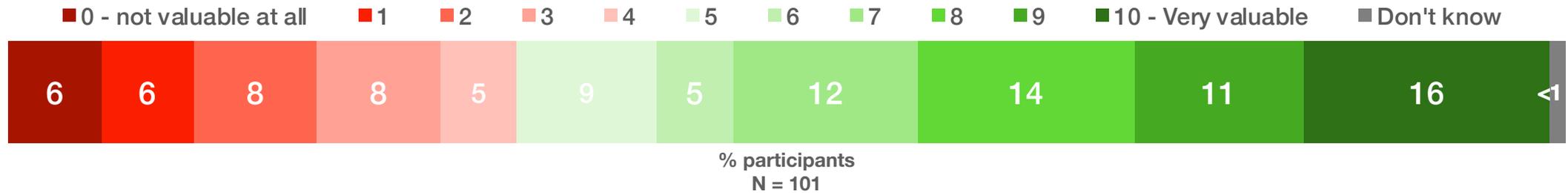
I agree particularly as a lot of these occurrences are beyond the company's control.

Comfortable and Caring

External Sewer Flooding Deadband: Substantial improvement until AW are rewarded appeals

58% of customers rated this plan a 6 or above, since the weather is an unpredictable element.

On a scale from 0 - 10, how valuable do you think this approach to external sewer flooding is?



Lowest value concerns:

- Frustration that AW could get rewarded/penalised for doing what they should be doing regardless.
- Confusion surrounding the targets and buffer zones when AW should just do their best and aim for 0.

Middling value views:

- While many dislike the reward system, they understand that this is a fair and needed approach to improve sewer flooding performance.

High value points:

- Appreciate that it's difficult to predict and work towards due to unpredictability of the weather, so this approach seems considered and appropriate.
- Also appreciated that it's on AW's radar.

I find it irritating that AW is worried more about being rewarded/penalised than actually just doing the best that they can at all times.
Comfortable and Caring

I don't like this reward / penalty system.
Eco Economiser

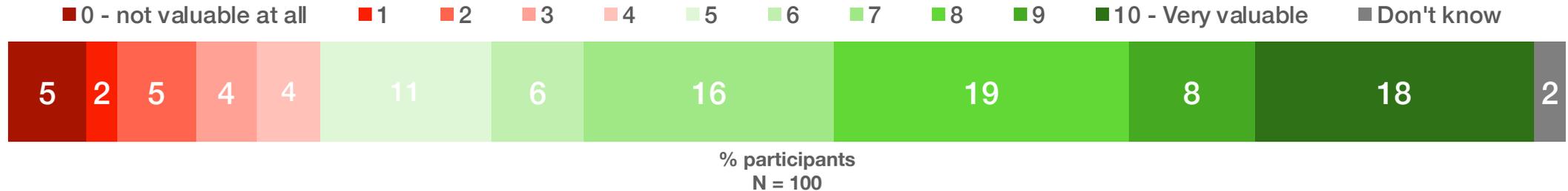
I think this approach seems fair.
Family First

A very difficult subject because of the unpredictable weather but looks like AW have thought about it and planned as well as they can.
Protective Provincial

Bathing Waters Deadband: Improvement in quality appeals, most agree with 'volatility' argument

Highest of all, **67% customers rated 6 or higher**, largely due to AW taking on responsibilities outside their remit

On a scale from 0 - 10, how valuable do you think this approach to attaining excellent status is?



Lowest value concerns:

- Lack of context leads to questions around bathing water status. Customers want history and feel that all bathing waters should be 'Excellent' until deemed not so – counting failures not successes.

What happens to the 13-16 bathing waters what Anglian Water doesn't bring up to "excellent"?

Tech Savvy

Middling value views:

- Many feel others need to be held accountable for causing pollution, making AW's job easier and allowing them to increase their forecast by a larger amount.

It seems to me that third parties in addition to Anglian Water must be held accountable. An increase by 3 to 36 does not seem that ambitious.

Family First

High value points:

- Strong yet achievable targets keep AW focused but don't penalise them for occurrences outside of their control.
- AW are taking on responsibility even when things can be outside their control.

33/49 is pretty good already; to achieve 36 would be fantastic but I understand this isn't a very easy goal because it isn't totally in AW's control. Keeping with the 33 for the buffer zone is a smart choice.

Comfortable and Caring

Section 4: WINEP support

WINEP: How we shared the information & engaged with customers

When Anglian Water prepare business plans every five years, the Environment Agency (EA) define a set of 'obligations' which are things that Anglian Water must deliver to help protect and improve the environment. Anglian Water then includes an allowance for the cost of delivering these obligations/projects in its overall budget.

An example of a project might be: to install some new treatment at a sewage works to reduce the level of ammonia in the effluent, because the EA has investigated and found it could harm the river.

When Anglian Water comes to design these projects, sometimes it finds new information, such that it believes the project won't really deliver the intended benefits for the environment and therefore provides poor value for money.

Anglian Water then has a couple of options:

- **Option 1:** Anglian Water could simply continue with the project. As it already has the allocated funds for it, this is the easiest option.
- **Option 2:** Anglian Water could formally challenge the need for the project with the EA with a view to giving back to customers money that was initially allocated to the project (as the project would no longer go ahead).

If Anglian Water challenges the project (Option 2), it would have already incurred some costs in this process, both in starting to design the project and in investigating the need for it (e.g. the design process, environmental surveys, or archaeological surveys), although they don't know how much this would be for each project.

In the instance that Anglian Water wants to challenge and potentially cancel a project, Anglian Water is suggesting that it's allowed to keep some of the allocated money as an incentive to challenge the need for the project.

Note: the money kept by AW would act as a 'motivation' to challenge the EA. AW would have already invested some money into each project to start setting it up, so the money kept by AW would also help cover some of AW's costs. The remainder of the money would go back to customers (through lowering bills) as the scheme would no longer be going ahead.

- *In the instance that a project has been identified as not being worthwhile and would be cancelled, what proportion of the money initially allocated to that project do you feel Anglian Water should be allowed to keep (the remainder would go back to customers via lowering bills)?*

If Anglian Water is not allowed to keep any money, it may decide to simply go ahead with the project anyway, as money had already been allocated to the project.

However, if Anglian Water is allowed to keep some money this would encourage them to challenge and cancel it.

- *Do you think that Anglian Water should at least be allowed to keep the costs it has incurred during the investigation / setup stage of the project?*

What we shared regarding Bathing Waters:

Customers were introduced to the process of AW being set obligations by the Environmental Agency (EA) and dealing with the allocated budget should action be taken or not undertaken. This was broken down for customers with an example.

How we captured their response:

Customers went through:

- 1) A poll where we asked the percentage of money AW should be allowed to keep as an incentive to challenge the EA.
- 2) An open text response where we asked if they think AW should at least be allowed to keep the costs incurred.
- 3) A text task where we asked what customers think of AW keeping 10% and returning 90% toward reducing customer bills.

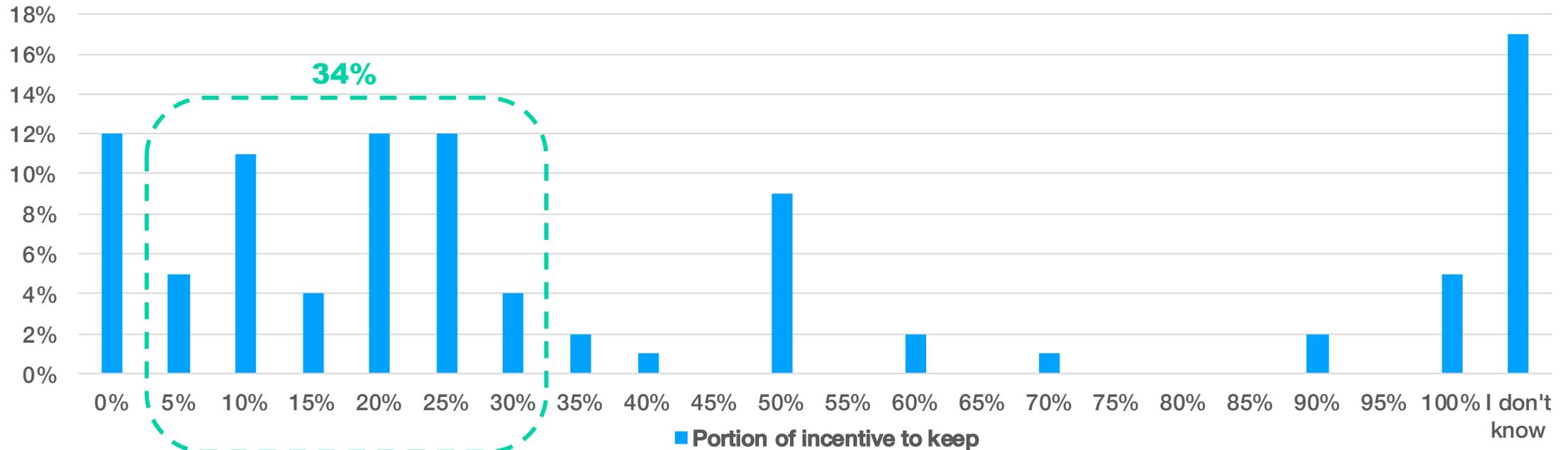
In these circumstances when a project is challenged (and potentially cancelled), Anglian Water is proposing that it removes 90% of the original cost of the project from customers' bills, and keeps 10% to cover investigation costs and to act as an incentive to make sure that these obligations really are necessary.

- *What do you think about this?*

WINEP: An initial read suggests there is *some* customer support towards AW keeping a portion

Nearly a third of customers are ok with AW keeping between 5% and 30% of initial budget – with 12% preferring AW not keep any and 17% express being unsure, there is also a need to dig deeper...

In the instance that a project has been identified as not being worthwhile and would be cancelled, what proportion of the money initially allocated to that project do you feel Anglian Water should be allowed to keep (the remainder would go back to customers via lowering bills)?
N=97



WINEP: Of those who selected 0%, most are ok with AW keeping their initial investigation cost

Of the 11 customers who selected 0%, 9 of them are ok with AW keeping their initial outlay in principle as a motivation to challenge projects deemed unnecessary.

OPEN TEXT QUESTION: Do you think that Anglian Water should at least be allowed to keep the costs it has incurred during the investigation / setup stage of the project?

NO/Unsure (2 Customers)

Not convinced it's ok for AW to keep anything

Only 1 customer was entirely against AW keeping any money completely, not feeling this would be ethical if the project was not going ahead.

No as this I class as an investment of existing funds. If AW were to keep any allocated money I would see this as fraud.

Comfortable & Caring

YES (7 Customers)

Feels acceptable for AW to keep their costs

For most it feels fair that as a minimum AW should be allowed to get their costs back to ensure projects that are not needed don't go ahead unnecessarily.

Yes definitely, provided both parties agree the project is no longer a viable project. In which case they should receive reimbursement of all out of pocket expenses, for materials and use of resources.

Eco Economist

YES & keep the rest (2 Customers)

Also open to the rest being distributed where it's needed

There is also a minority of support for AW to be refunded their initial investment, but that the remaining allocated budget could be given to other projects requiring funding.

I don't have a problem with AW recovering their costs incurred if a project is cancelled. I would much rather the remaining money budgeted for a project that is then deemed inappropriate is reinvested in another project to protect the environment. **Careful Budgeter**

WINEP: A majority are ok with AW keeping 10% and 90% going back to customers

Most customers feel this is a fair suggestion, but there is a substantial group that feel that 10% may not reflect AW's investigation cost and that a more reflective incentive should be used.

OPEN TEXT QUESTION: In these circumstances when a project is challenged (and potentially cancelled), Anglian Water is proposing that it removes 90% of the original cost of the project from customers' bills, and keeps 10% to cover investigation costs and to act as an incentive to make sure that these obligations really are necessary. What do you think about this?



A MAJORITY (around 2/3) support the incentive mechanic

- ✓ Overall seems fair that AW keep a portion of the fund they deem will be sufficient to cover their costs.
- ✓ Returning the remainder to customers seems fair to them.
- ✓ Some estimated that the 'initial outlay' would be higher than 10% so comes as a pleasant surprise.

Initially I thought higher than 10% so if A/W feels that's enough then I am more than happy to accept that.

Comfortable and Caring

Seems fair but 'one size fits all' isn't as accurate

- Support the 10/90 split in principle, however also question the extent to which this would change from project to project and whether what AW kept could be identified for each project.
- There is some concern that having a generic 10% threshold may actually cause projects to be terminated prematurely if investigation costs reached that percentage and decision needed to be made.

It depends on the project but 10% is reasonable.

Tech Savvy

A small minority preferred AW to keep only what they spent

- Some are much more adamant only the investigation costs should be refunded and agreed at the start of the project.

AW should only retain genuine costs it had incurred and which have been independently audited.

Protective Provincial

Section 5: Bill Profiles

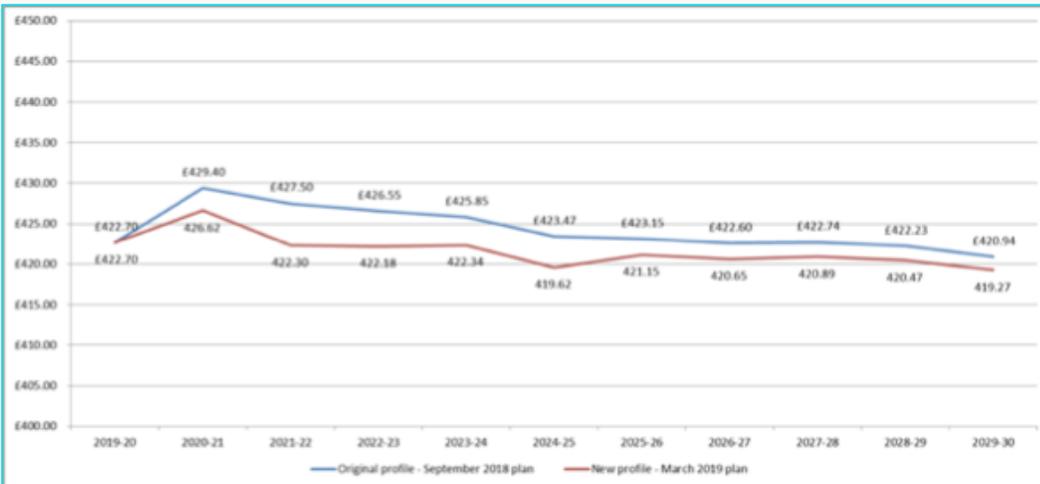
Bill Profiles: what we shared & how we engaged with customers

Back in September last year, Anglian Water submitted its plan to Ofwat. Some of you may remember looking through the 300 page plan! Since getting feedback from Ofwat at the end of January, Anglian Water has been updating its plan slightly, in two main areas, as well as the performance commitments we've been discussing over the past few weeks.

- First, in December 2018 the government announced a ban on the pesticide Metaldehyde. This means that Anglian Water can take some investment to deal with that issue out of its plan.
- Second, it now has better information about costs and performance for the current financial year, 2018-19.

These two things mean that bill projections from 2020 to 2030 have changed. Below is what average bills looked like in September, alongside what we are now proposing.

These don't include inflation, so if we also include inflation, by 2029-30 bills would be £536 in our September profile and £534 in our new profile.



Now please tell us:

1. What do you think about this?
2. To what extent does this represent value for money?

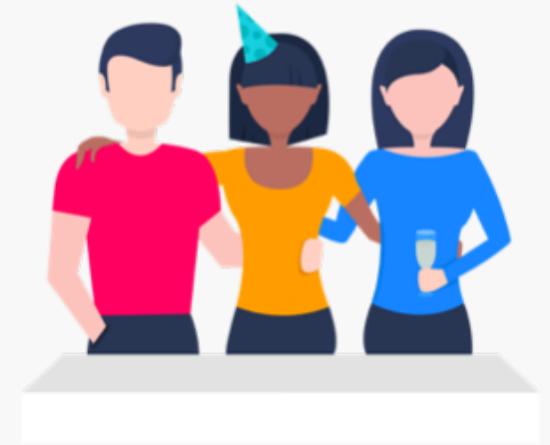
What we shared regarding Bill Profiles:

It was explained to customers that a couple of updates were made to the plan that they had seen last year; firstly, the Metaldehyde ban and secondly, improved costs and performance figures for 2018-19. We included a graph to explain the bill forecast to participants.

How we captured their response:

We then asked customers via a discussion for their opinion on these changes and to what extent they view these changes as value for money.

Customers are pleased to see bills going in the 'right direction'



Overall, the continued decrease over time and recent adjustment downwards help maintain good value perceptions with customers (though many commented that the adjustment is only minute).

- ✓ Most see good value as they appreciate that AW meet demand, maintain the systems and work to create a positive impact on the environment.
- ✓ Though the bill decrease is small, customers are pleased that at least it is a decrease, so things are moving in the right direction.
- ✓ The combination of continued decrease and the notion of a further adjustment to their bill maintains good value perceptions.

Considering what happens to water before it reaches the taps, and that AW has to deal with sewerage and maintain the sewers and the pipelines I think that what we pay is entirely reasonable and excellent value for money.

Protective Provincial

Well, it's overall cheaper, and the graph suggests a slightly sharper decreases in costs, so that looks good. The difference is pretty marginal though, less than 1%. Nothing to write home about, at least it is the right direction?

Tech Savvy

Value for money, well if it was value for money before the reduction, one might argue it's more value for money after!

Tech Savvy

For a *majority* the Metaldehyde adjustment simply *increases* positive value perceptions

The ban is perceived to be beneficial for the environment, AW and customers – the fact that AW are passing on the savings to customers confirms the high value they place on AW and its commitment to customers.

I think it's good news that the government have banned the pesticide - I'd much rather these chemicals were banned rather than having to deal with the impact on the environment after they have been used.

Careful Budgeter

I think it is brilliant that the pesticide has been banned and the forecasted money can go back into AW and off set bills and costs, I think it shows good value for money.

Eco Economist

I think it very good that a) government is taking a proactive position on pesticides and that b) you are passing on the saving to customers.

Family First

- ✓ **Environmental impact:** With many customers caring deeply about chemicals' effect on their region, they're pleased that this ban will make a positive environmental change.
- ✓ **Valued customers:** The ban frees up some AW money and customers feel prioritised and reassured that the extra is being used to lower their bills.
- ✓ **Transparency:** Being able to clearly see the process of changes being made and how this is then reflected in bills continues to encourage trust and transparency in AW and that customers are being considered in decision making.

A *minority* question some of the data and if predictions will be accurate



Customers would be reassured by more information so they can understand where the projections come from (bearing in mind they were only shown the impact of the ban on bills).

- A portion of customers feel that a 10 year forecast is too long and that it doesn't take into account variables, such as climate change or Brexit.
- The axis makes it look like there are big fluctuations on the graph but in reality, the difference is only very small.
- Some question the reason for the peak in year 2020-21 and that a flatter bill profile over time would be preferable (although we know customers are largely ok with investing more earlier on based on wider feedback to bills).
- Lack of historical information makes some customers question the reliability and accuracy of the future projections. Not meeting inaccurate projections could have a negative impact on customers' trust.

With so many variables is it practical to view and estimate 10 years ahead? Five years possibly. It could be a completely different situation in 5 years please do not get ahead of yourself and provide figures that could well change vastly if there are different circumstances.

Comfortable and Caring

The vertical axis of the graph is misleading, as it only shows a small part of the total cost, so exaggerates change.

Tech Savvy

I don't feel knowledgeable enough to say whether the amount payable is reasonable, but the planned future reduction is welcome and seems a positive move. However, I'd personally rather have a flatter proposed bill, rather than a sharp rise and slow reductions (not taking inflation into account). **Family First**

Some audience differences highlight that *value* does not mean the same for everyone

While for most, the value they place on their water is already high, audience perceptions are important to address when talking about average bill amounts and put the bill in a context that makes sense to them.



Ideological view of water

- While most customers feel that what AW do is very valuable and worth paying for, there are a small number who maintain that water is a fundamental human right which places a lower value perception on having to pay for it.

No competition

- Those who are more critical of not having any water supplier competition, highlight that with no benchmark of what constitutes good or bad value it is difficult to make an assessment.

Housing status

- Some customers, such as single occupiers or pensioners, can't relate to the average figures shown as much as they seem far from what they pay for their own water and are unsure on how they'd be impacted.

Water is something that is present on the planet, it is there, it evaporates and falls somewhere else, it is a never ending cycle and I end up paying a lot of money for it to be cleaned and sent back to me in a drinkable condition. Value for money? I'm not too sure about that.

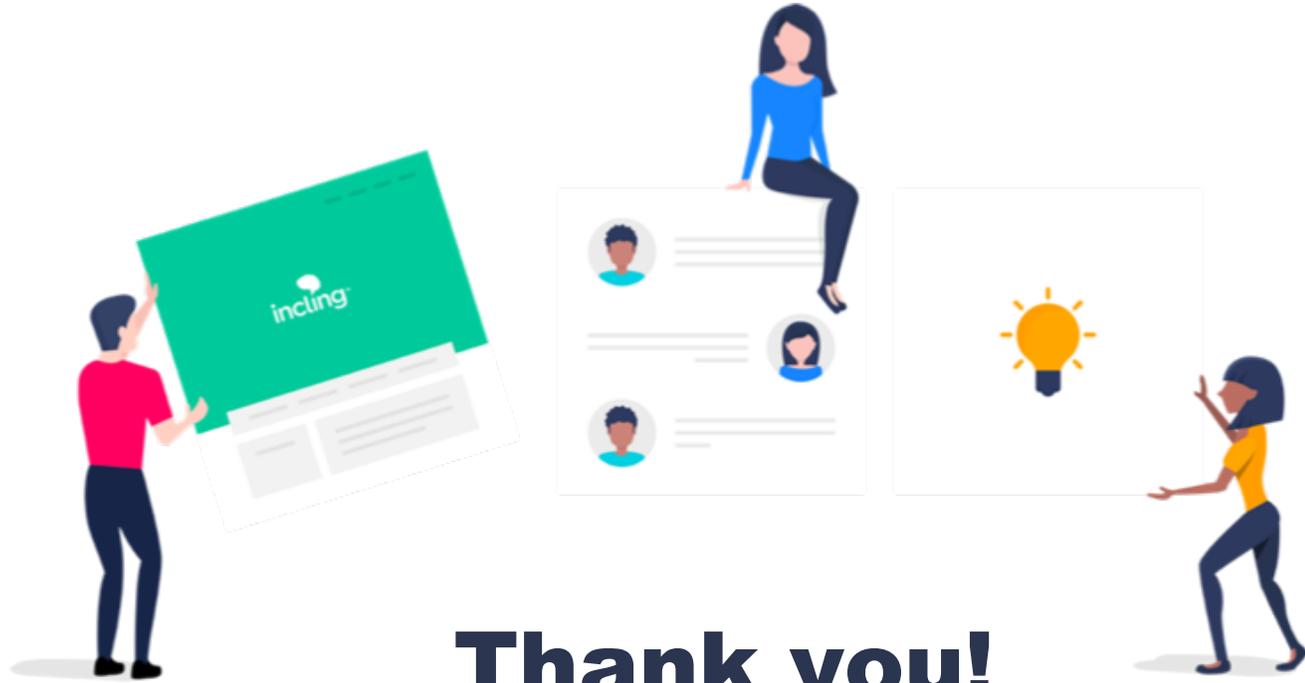
Protective Provincial

Any saving is good though. It's hard to calculate value for money when looking at a monopoly.

Family First

It is difficult for me to comment on the actual average figures as my water bills amount to £144 pa, nowhere near the £400+ average you quote.

Family First



Thank you!

**Any questions? Just reach out to us on
nick.campbell@incling.com**