South Staffs Water: Business Plan 2015-2020

Consultation on Initial Proposals

Consultation Report: Executive Summary

11th October 2013

1. Executive Summary

1.1 Introduction, objectives and methodology

At the 2014 Price Review it will be crucial for every water company to produce a business plan that demonstrates effective customer engagement and provides a balanced reflection of customer and stakeholder priorities given Ofwat's requirements[1].

South Staffs Water (SSW) published its draft business plan on xx September 2013 and launched a consultation of key stakeholders, including domestic and business customers, on the content of the plan. The consultation closed on 4th October 2013.

To facilitate participation by a wide variety of stakeholders including customers, SSW published a summary version of its draft business plan, titled 'The future is your cH_2Oice 2015-20'. To promote awareness of the consultation, SSW published the consultation document on its website, contacted customers for whom it had email addresses and sent a hard copy to 500 key customer groups and stakeholders. It also sent out 300 letters and some posters signposting the consultation to health centres, schools and children's centres, and issued a press release. In addition, customers calling SSW heard a recorded message directing them to the website to respond to the consultation. SSW wished to engage with as many customers as possible and used an online consumer panel to further widen the reach of the consultation.

To help respondents to engage with the consultation, the document provided background information about SSW and explained some of the challenges the company faces. It also summarised the customer research that had been carried out so far and what the company is doing in response.

Each consultation question comprised a closed question on the level of agreement and also a 'free text' space encouraging respondents to explain the reasons for their answers or to provide other comments. Graphs and charts in this report should be read in conjunction with verbatim comments made by respondents, which are available in full.

The over-arching objective of this consultation was to gain feedback on key elements of SSW's draft business plan, including the five Outcomes that SSW has identified (described as 'Main aims' in the consultation document).

[1] *"Involving customers in price setting – Ofwat's customer engagement policy statement."*

In total, consultation responses were received from 983 individuals and organisations. The vast majority (969) of these were household customers, and 14 were businesses or other stakeholders. In total 525 responses were received from Cambridge Water customers and 446 from South Staffs Water customers, with 12 respondents indicating that they did not know.

SSW commissioned Community Research and Consultancy Ltd (Community Research), an independent company experienced in consultation design and delivery, to help design the consultation questions and to analyse and report on the responses.

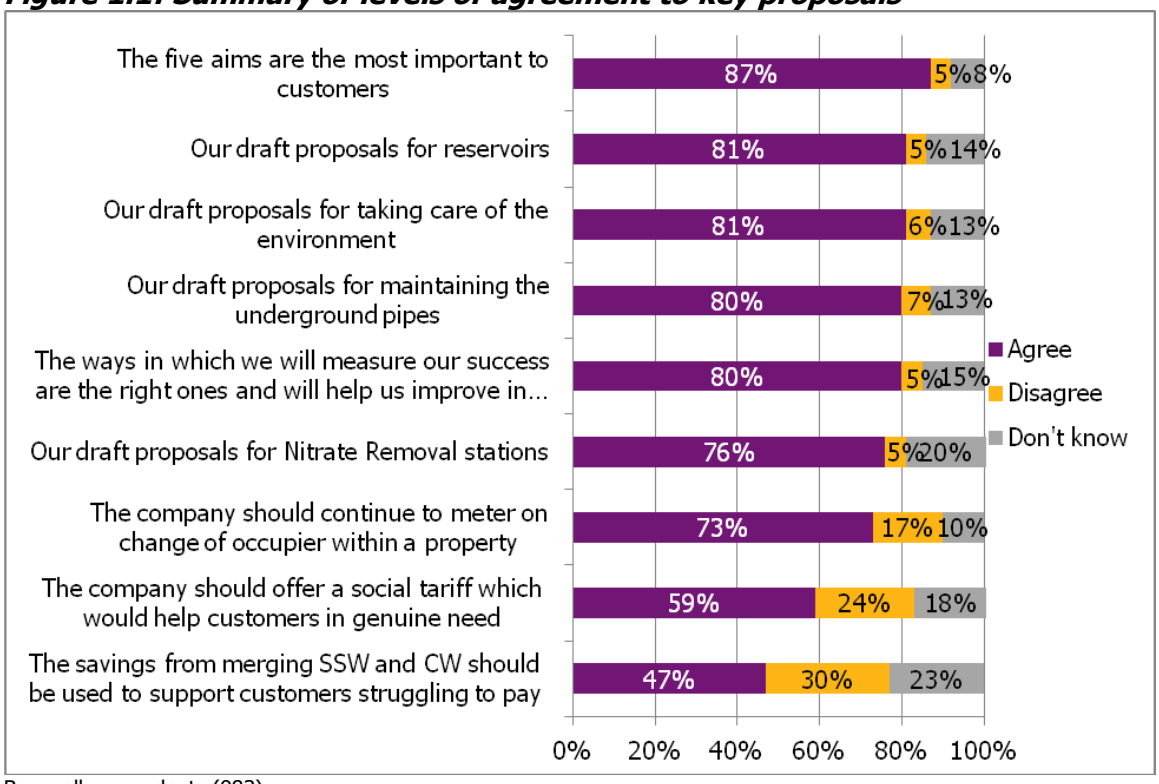
Overall, respondents were keen to have their views heard, which is evidenced by the number and quality of 'open' responses given to supplement answers to the closed questions.

1.2 Key findings

Consultees were generally positive, for the most part agreeing with the proposals set out in the consultation document, although respondents in the South Staffs region had lower levels of agreement in a number of areas.

There was a high level of agreement with the main aims and how they will be measured. Consultees were then asked about the Company's proposals for five specific areas (metering, the environment, underground pipes, nitrate removal stations and storage reservoirs). Respondents gave the most positive response to plans for investing in reservoirs, underground pipes and the environment. When asked about helping customers who are need or struggling to pay their water bills by means of a social tariff or using merger savings, there was less support although just 59% and 47% of respondents indicated agreement respectively.

Figure 1.1: Summary of levels of agreement to key proposals



Base: all respondents (983)

1.2.1 The five aims (Outcomes) and the proposed measures of success

Consultees were provided with brief details of the five aims and SSW's proposals for measuring the Company's success in achieving the aims. They were asked whether they agreed or disagreed that these five aims were the most important to customers:

- Excellent water quality (now and in the future)
- Secure and reliable supplies (now and in the future)
- Delivering an excellent customer experience to customers and the community
- Operations that are environmentally sustainable
- Fair customer bills and fair investor returns

Across all types of respondent (household and non-household customers) the majority (87%) agreed that these aims reflect what is important to customers. The main themes of comments made by those who agreed were that the aims cover what matters most to customers, will keep prices fair and maintain water quality. Five per cent (46 respondents) said they disagreed that the aims were the right ones, the most frequent comments being that they were not concerned about investor returns and that the aims contradicted maintaining fair prices.

Consultees were then asked whether they thought the proposed measures of success[2] were the right ones, and would help the company to improve in the future. Over three-quarters of respondents (80%) agreed with the proposed measures of success. Almost a quarter of the comments made by those in agreement related to the measures being appropriate, fair and measurable. Five per cent disagreed that the proposed measures of success were the right ones, with a further 15% saying that they did not know. The most frequent reason given for disagreement was that the measures were not quantifiable or specific enough.

1.2.2 The company's proposals for 2015-2020

The consultation document summarised SSW's proposals for investment in five key areas:

- Metering
- Taking care of the environment
- Maintaining underground pipes
- Major spending on Nitrate Removal stations
- Major spending on storage reservoirs

Consultees were asked whether they agreed or disagreed with each proposal. If they disagreed, they were asked to indicate whether the company should be doing 'more', 'less', or 'something different'.

Metering

Consultees were asked for their views on whether the Company should continue to meter properties on change of occupier. A majority of respondents (73%) agreed that this should continue, although the level of agreement in the South Staffs area was considerably lower than in the Cambridge region. Customers who said they already had a meter were substantially more likely to agree.

Of those who disagreed with the Company's proposals for metering, a small proportion (13%) thought that SSW should be doing more metering.

- Most of these were in the South Staffs region.
- More than a third (37%) thought the Company should be doing less metering, and half (50%) thought something else should be done.

The most frequent reasons given for agreement were that metering is the fairest way to charge people for what they use, and that it encourages people to think about how much water they are using, promoting conservation. Half of those who disagreed with the Company's proposal for metering said that they believed customers should have a choice.

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[2] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.11-12

Taking care of the environment

Consultees were asked for their views on the Company's draft proposals for taking care of the environment.[3] The majority of respondents in all categories (81%) agreed with the proposal, with the level higher for the Cambridge region.

- Those in agreement gave reasons such as corporate responsibility and the need to protect the environment generally.
- Some of the small proportion (6%) who disagreed made comments about wanting care of the environment to be cost neutral to customers and that it should not be the Company's responsibility.
- Of those who did not know, nearly a quarter (23%) said the subject was too complicated or that they did not have enough knowledge or information.
- Of the 57 respondents (or 6%) who disagreed with the proposal, 42% felt that the company should be doing more and 30% felt that they should be doing something different.

Maintaining underground pipes

Consultees were asked for their views on the Company's draft proposals for maintaining underground pipes.[4]

- A majority of respondents (80%) agreed with SSW's plan to do more maintenance on its trunk mains and slightly less on smaller pipes.
- A quarter of the comments made by those in agreement related to this investment being essential to maintain service.
- Of the proportion who disagreed (7%), some expressed concern that maintenance of the smaller pipes may suffer, and others thought the Company should be doing more, to save costs in the long term and prevent future failures.

Major spending on Nitrate Removal stations

Consultees were asked whether they agreed with proposals for major spending on up to four Nitrate Removal stations, to help achieve secure and reliable water supplies, now and in the future. Most respondents (76%) agreed, although the level of support in the Cambridge area (82%) was higher than in South Staffs (69%).

- Of those who disagreed with the proposals for Nitrate Removal stations, nearly half (46%) thought the Company should be doing something different. One-fifth said that they did not know.
- Comments made indicated that those who agreed did so in the main because they believe drinking water quality and safety are important, with some mentioning the use of nitrates in agriculture. More than a third of those who disagreed with the proposals said that agricultural nitrate use

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[3] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.16.
[4] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.17.

should be reduced or that customers should not have to pay for nitrate removal.

Major spending on storage reservoirs

Consultees were asked for their views about major spending on up to four storage reservoirs.[5] Support for this proposal was 81% overall. A higher proportion (84%) of Cambridge respondents agreed than those in South Staffs (77%). Among the 5% who disagreed with the proposal, there was a fairly even split between those who wanted the Company to do 'more', 'less' or 'something different'.

1.2.3 Helping customers

This section of the consultation document mentioned some of the initiatives already in place to assist customers who may struggle to pay their water bills. It explained two possible ways in which SSW might provide additional help. Firstly to introduce a 'social tariff' tariff which would help customers in genuine need to afford their water bills. This would require the support of other customers, as it would mean a small addition to their bills. Secondly, to use the savings made when merging SSW and Cambridge water.

Social tariff

The idea of introducing a social tariff was an area with one the lowest levels of support, although even here more than half (59%) of respondents said they agreed with the company's proposal. Almost a quarter (24%) disagreed. Respondents in the lowest and highest income brackets were most likely to say they supported the proposal for a social tariff.

Using merger savings

When asked if the savings from merging South Staffs Water and Cambridge Water should be used to support customers struggling to pay water bills, almost half (47%) agreed and just under a third disagreed, with one-fifth answering 'don't know'. Opinions varied from this suggestion being a good use of the savings, helping those in need, to the idea that the savings should be used to reduce all bills.

Consultees were asked if there was anything else they thought SSW should do to help vulnerable customers afford their water bills. Suggestions mostly related to the need to provide cost reduction advice and products, for example water butts, water saving devices, free surveys and budget advice.

[5] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.19.

1.2.4 Price increase

The section 'What will happen to your water charges from 2015?'[6] explained the impact that SSW's investment proposals would have on customers' water bills. It also explained the steps taken by the company to keep bill increases as low as possible.

Consultees were asked for their views on how acceptable a 2% (£3) water bill increase by 2020 would be. The document explained that, including future inflation, the increase would be a further £22. Across all respondents, 52% said that this increase would be acceptable. Nearly a third (31%) said that it would be unacceptable, and 17% said they did not know.

The highest proportion by income bracket who said the increase would be acceptable (68%) were those with £70,000-£99,000 combined household income. Those with household incomes of less than £20,000 and those who preferred not to give their income were least likely to find the increases acceptable. Customers in the Cambridge region were more likely find the increase acceptable than those in South Staffs.

[6] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.20, 21.