

# Club Materiality: Defining material impact with consumers

Research report  
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Affinity Water  
Anglian Water  
Dŵr Cymru Welsh Water  
NWL  
Pennon Group

Portsmouth Water  
Severn Trent  
South East Water  
South Staffs Water  
Southern Water

Thames Water  
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Wessex Water  
Yorkshire Water



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# Background, objectives & method



# Research background

Ofwat has established the **Consumer Involvement Rule** to ensure that water companies **actively incorporate consumer perspectives into decision-making processes that affect them.**

- Central to this rule is the evaluation of issues and proposals that have a **"material impact"** on consumers.
- Understanding **what consumers perceive as materially impactful** – whether in relation to pricing, service interruptions, water quality, environmental initiatives, or long-term infrastructure investments – is crucial for **aligning corporate decisions with public expectations and regulatory compliance.**

This research project seeks to systematically investigate **how consumers interpret "material impact"** and how these perceptions could be used to **inform company decision-making and Ofwat's regulatory assessments.**



# Research objectives

## Overall aim

To provide a **robust, consumer-informed framework for defining and assessing "material impact"**, enabling water companies to make decisions that are both regulatory-compliant and aligned with consumer expectations.

1

To explore how consumers interpret "material impact" and identify the dimensions they consider most critical (e.g., financial burden, service reliability, environmental sustainability).

2

To gauge which types of impacts are most significant to consumers; and to what extent consumers want to be involved in related decision making.

3

To establish how consumers wish to engage meaningfully to inform policy and operational decisions.

4

To indicate any differences in perception across consumer demographics, socioeconomic groups, water company regions, and levels of engagement with water services.

5

To develop a framework or decision tree to determine how consumer perceptions of material impact can be integrated into company strategies to enhance compliance with the Consumer Involvement Rule.

# Sample and methodology



## Method:

An online community of consumers participating in a 5-7 day process, with 20-minute tasks to complete each day

- Ongoing moderation throughout the fieldwork period, to draw out the insight



**Main sample:** 126 participants completed all activities, broadly representative of demographics and circumstances within each region.

Quotas allowing for analysis by:

- Future Customers/young vs. all
- Rural vs. urban
- Coastal vs. inland
- SEG

Full sample split in appendix.


**Additional audiences:** Other relevant audiences covered by the Consumer Involvement Rule were included via 45-60 minute individual telephone/Zoom interviews.

- Non household x5
- Developers x5
- Digitally Disadvantaged x5



# Content design

Online qualitative panel with survey questions embedded, depth interviews with additional audiences

Day 1	Day 2, 3 and 4	Day 5	Additional audiences
<p>Perceptions of everyday services (inc. water)</p> <p>Views on the water sector, and their own water company (inc. any interactions)</p> <p>Response to information sharing: what water companies do, regulation and customer research</p> <p>Response to information sharing: Consumer Involvement rule</p> <p>Explain which company decisions matter to respondent and why</p>	<p>Exploration of <b>two scenarios from list per day</b></p> <p>For each scenario identifying:</p> <ul style="list-style-type: none"> <li>• How much respondents care about decision</li> <li>• How impacted they are by decision</li> <li>• Who they think should be consulted</li> <li>• How should consultation work in practice</li> <li>• How involved they would personally like to be</li> </ul> <p>And exploring the reasons behind each answer</p>	<p>Who companies should consult on decisions with different types of impact</p> <p>How company decisions have impacted respondents previously</p> <p>Disadvantages of, and best practice re getting customers more involved in decision-making</p> <p>Best practice re communicating with customers about decisions made</p> <p>Final views on Consumer Involvement Rule</p> <p>Research feedback</p>	 <p>Personal/business circumstances, and impacts on any liaison with water companies</p> <p>Abridged version of days 1-5 questions</p> <p>Two scenarios covered per interview, consistent within audience type</p>

# Scenario choice

We worked with the core project team (four companies) to develop scenarios showing a broad range of hypothetical company decisions

## Scenario choice

Scenarios covered a wide variety of potential decisions with different types of impacts including:

- Financial – Service – Community/Social
- Environmental – Reputational - Operational



These included decisions directly and indirectly impacting consumers, and a range of impact severity.

## Stimulus design

15 scenarios were developed as stimulus material, which showed each decision's:

- Context
- Outcomes (positive/intended impacts)
- Consumer impacts (framed as harms/detrimental impacts)

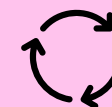


Drafts were reviewed by the full club of water companies and amendments made based on their feedback.

## Rotation

In total, 13 scenarios were explored with household Participants in the online community.

Each online community participant considered a total of 6 scenarios, shown on a rotation basis.

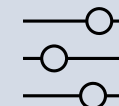


## Audience-specific scenarios

The stimulus and rotation choices were adapted to specific audiences.

Two additional scenarios were designed to have Specific relevance – and only shown to:

- Developers
- Non-household customers



Non-household customers also evaluated one scenario from the wider set (moving company headquarters) with its specific relevance to business impacts.

# Key findings



# Key findings

**This is the first systematic conversation with consumers about 'materiality'**

- There is high level of support for the new rule
- However, consumers need reassurance that implementing consumer involvement will be meaningful (not a tick box exercise)

**There is a relatively contained set of factors that are universally material/consumers expect involvement**

The factors mainly relate to decisions directly impacting consumers

- High or uncertain bill impacts
- Negative impacts on environment or vulnerable audiences
- Health or financial harms
- Risk to the core service
- Major social/community level impacts (both large, long-term)

**An additional list of considerations that companies need to explore to determine materiality in certain circumstances**

This list relates to decisions of lower concern/indirect impacts – which can be material in some cases

- Reputational, or where outcome not guaranteed
- Neutral/positive impacts on environment or vulnerable audiences
- Not about core service
- Major community/social impact (either/or large, long-term)

**Low trust in the sector leads to a lower threshold of materiality**

- Consumers signal areas of perceived poor performance as 'material' – even when the outcomes/impacts are stated as positive
- Environmental impacts and any change affecting vulnerable audiences (perceived positive or negative) are material
- Strong support for experts, stakeholders and other independent oversight

**The assessment flows provide the consumer view of materiality to support industry thinking**

- The assessment flows illustrate consumer perceptions of materiality for 15 scenarios tested
- There are elements that are subjective, and further research or regulator input may be useful to tighten definitions
- The flows can be used to assess both positive and negative consumer impacts – with very low incidence of materiality relating to positives

# 01

# Wider water sector context

Consumer perceptions

# Water is generally not top of mind for consumers

**With relatively lower bills and few negative personal experiences, water services feature less prominently than energy in the consumer mindset**

**Compared to other services, energy is front-of-mind; considered expensive, with fluctuating bills that attract frequent media attention**

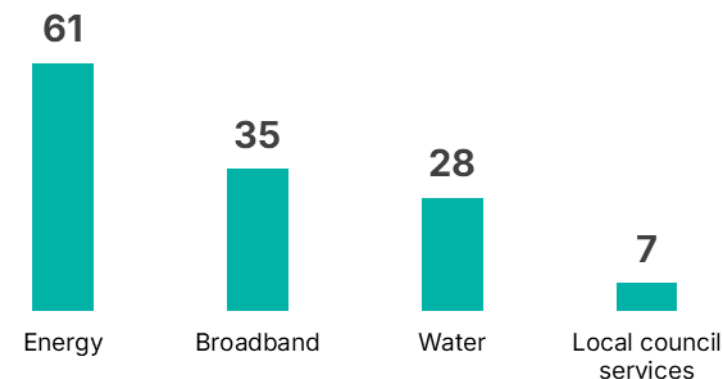
- Consumers actively look for ways to reduce their energy usage, able to switch providers to seek cheaper rates and a better quality of service if they are dissatisfied
- Competition also means energy providers proactively engage customers through rewards, flexible tariffs, and switching incentives (marketing).

**Water bills are considered less expensive than other services, and bills are generally seen as predictable**

- Whilst some are motivated to reduce water usage to save money, this has lower financial benefit than for energy (although environmental drivers exist for some)
- Most experience a reliable, safe supply of water with minimal issues
- Monopoly context means limited interaction between customers and providers unless something goes wrong.
  - Developers are the exception; they coordinate closely with water companies e.g. for site connections
- When problems do occur, customers generally report receiving good customer service from their provider, with minimal friction

**Services thought about most in daily life**

Base: 131 (All online community participants)



**Participants are largely unaware of the types of decisions water companies are making - which might have a direct or indirect impact on their household**

# Consumer perceptions of the water sector are mixed

**While generally seen as a reliable for day-to-day service, image perceptions reveal concerns about a sector that is profit-driven and environmentally careless**

**Trust in water companies is muted: participants give an average score of 5 out of 10 when prompted**

**Perception that profit comes before people. This appears to be evidenced by:**

- Rising bills, shareholder returns, and executive pay
- Perceptions of limited investment / under investment
- Perceived lack of transparency and accountability
- Having no choice of provider

**Environmental performance is a key driver of low trust**

- Sewage pollution, river and sea contamination and leaks frequently referenced

**Despite criticism, reliability remains a key strength**

- Consumers acknowledge that water services are dependable and consistent day-to-day
- This is particularly valued by non-household customers, for whom a reliable water supply is vital to their operations



**Trust is being eroded by broader concerns about the sector - rather than service delivery**

# Media coverage plays a significant role in shaping views

**Consumer trust in water companies is shaped by negative perceptions of the wider industry**

## **Personal experience contrasts with wider perceptions of the sector**

- Media coverage and wider sector reputation influences views even among customers who have not had problems (notably even the most critical acknowledge positive personal experiences)
- The wider narrative is about lack of transparency around pricing, environmental performance, and how money is being spent

**Reflecting this context, there is a heightened desire for direct consumer involvement in the more controversial areas i.e. those that are driving lower trust**

*"I feel sad giving them such a low number as I think our water service is good and whenever I've contacted them, they've been helpful. But I've seen the stats about the sewage discharge by them which is horrifying." – HH customer*

*"I have had no reason personally not to trust my local water company, but the reports you see and hear nationally are not encouraging." – HH customer*

*"It doesn't feel like they think about their customers. I don't trust them not to be charging too much and taking profits as dividends." – HH customer*

*"Water companies have proved that they don't like transparency on things they'd rather not be challenged on." – HH customer*

# 02

## Views on the Consumer Involvement Rule

Consumer perceptions

# Consumers are not confident that enough is being done to represent their views

## Existing regulation is considered insufficient to ensure water companies act in customers' best interests

### Regulation provides some reassurance, but consumers question whether this is effective enough

- The presence of Ofwat and other regulators gives some confidence that water companies are being monitored and held accountable
- However, ongoing concerns around sewage pollution, infrastructure, and rising bills leads to questions about whether regulation is working in practice

### Monopoly concerns undermine confidence

- Inability to choose their providers reduces accountability and weakens incentives to improve service
- Do fines and regulation have enough impact on company behaviour in the absence of competitive pressure?

### Consumers want stronger evidence that customer needs influence decision-making

- Some welcome references to customer research and input, but others remain sceptical that customer feedback genuinely shapes decisions
- Communication and transparency are seen as important in building confidence

Who regulates what water companies can/cannot do? Navigator

Ofwat



- **Regional monopolies:** each water supplier acts as a monopoly in their regions. You can't choose your water supplier the way you choose an energy provider (unlike household customers, business customers can choose their water retailer, who provides billing services and is the first point of contact).
- **Regulation:** due to the monopoly structure, water suppliers are tightly regulated by organisations like Ofwat, and the Environment Agency
- **Customer research:** it is also mandatory for companies to prove that their five year business plans are informed by customer research, as investments are funded through customer bills. Ofwat do not always take this customer research into account.

4



*"These regulations appear to be ineffective in holding water companies to account. It appears that water companies have underinvested in vital infrastructure and have failed to control sewage spillage. Regulation has failed to influence water companies' behaviour." – HH customer*

# The new Consumer Involvement Rule welcomed

## Consumers support greater involvement in decisions around pricing, investment, and environmental performance

### Consumer involvement is seen as essential in a monopoly service

- This change may ensure greater accountability for an essential service where consumers cannot choose their provider

### Consumers want more involvement in major decisions

- Unprompted, they want this for decisions around bills, infrastructure investment and environmental performance
- Consumers believe water companies should be required to listen to and reflect customer priorities when making these decisions

### This rule fits with the desire for greater transparency

- Customers expect to have greater visibility over where money is spent and how priorities are set - which may increase trust in the sector
- Additionally, many perceive this new rule will enable customers to understand the drivers behind decisions

**Once explained, the principle of greater consumer involvement has broad, cross-cutting appeal**

What is the Consumer Involvement Rule?

Navigator



All water companies engage their customers when developing their plans on a range of decisions. However, up until recently, they have **not been required** to engage customers for every decision they make.

The government has now given Ofwat (the water industry regulator) the power to enforce a **new Consumer Involvement Rule**.

This makes it **mandatory for companies to prove customers' views genuinely influence decisions which have a 'material impact'** (i.e. a significant impact) on customers lives

We need your help to define what these decisions are!

5



*"The kinds of decisions that would matter most to me are changes to water bills, handling of leaks and outages, water quality standards, and investment in infrastructure. These decisions directly affect everyday life, household costs, and reliability of service." – HH customer*

# However, support is conditional: will involving consumers be meaningful?

**Participants think the Consumer Involvement Rule will only work if engagement is truly meaningful**

**Meaningful translates as:**

- Clear explanations of available options, costs and timescales to consider
- Different opportunities to influence decisions through consultations, surveys, and forums – ways that consider audience needs (e.g. time-poor businesses)
- Early consultation before major decisions: important for building trust, demonstrating that consumers have sufficient time to influence decisions

**However:**

**They question whether consumer feedback will genuinely drive change**

- Will companies act on feedback, or treat engagement as a tick-box exercise?
- Will consumer feedback be misinterpreted to justify unpopular decisions?
- Will profits and shareholder interests take priority over customer views?

**Consumers want to see proof of action and outcomes – and how feedback has shaped company decisions**

*"I think information should be provided before any decisions are made, allowing the public to make informed decisions about any work to go ahead." – HH customer*

*"I think this is a good first step. I would like to see further measures taken to ensure water companies can't 'cherry pick' customers views that align with their own plans and investment decisions." – HH customer*

# 03

## Key learnings on materiality

Considerations for understanding 'material impact'

# What have we learned about materiality – and implications for assessment flows?

Headline observations on how consumers determine what matters most to them / where they want to see proper consultation

## Trust is a factor in the materiality of certain types of decision

- Consumers are generally most sensitive about controversial / high profile topics e.g. environmental harm, financial decision-making
- Less inclined to think that companies will make good decisions, these are areas where they want greatest involvement



As trust increases over time, the materiality of all topics may change – and the consumer assessment flows may need to change accordingly

## Consumers may want to scrutinise even positive actions

- Where trust is very low – even where outcomes of the decision are stated as positive – consumers want involvement around the implementation (the 'how'), to reassure themselves that actions are genuine



Ofwat's definition suggests that material matters may be positive or negative, therefore the assessment flows are capable of assessing both

## Materiality varies across consumers

- Decisions often have a material impact on some consumers but not others: water companies will need to ensure that the right people are consulted



These variations are highlighted in the assessment flows

## Some dimensions of materiality are subjective

- Guidance/definitions will be needed e.g. what is a significant vs. small bill increase; or a large vs. small number of people affected?

# Customers do not automatically want personal involvement in material matters

Regardless of how much they care about an issue, there are multiple drivers why consumers often do not want to be directly involved in decision making

**No personal impact:** the decision doesn't directly affect them. For example:

- They don't live in an affected area
- It doesn't affect their bill
- It doesn't affect the quality of service they receive

**Perception that other stakeholders better placed:**

- Where decision directly affects them
- Where have more relevant expertise e.g. vulnerable, farmers, consumer representatives

**Lack the expertise:** too complex for their input.

- Belief that they lack the technical knowledge to give meaningful input

**No expectation to input:** Internal decisions:

- The water company should be making good decisions
- Expect input on 'downstream' impacts of decisions e.g. impact on bills, environment

**Scepticism or mistrust of water companies:**

- Expectation that customers will not be able to influence outcomes, as these are pre-determined (e.g. bill increases)
- Their views will not be listened to

*Not salient to me*

*More salient for others*

*Not appropriate for me*

*Your business, not mine*

*No point*

*Representative bodies or other customers (who are relevant and/or representative) to have involvement instead*

*Relevant experts, expert stakeholders and/or other oversight bodies expected to provide assurance to consumers*

# Customers want to be engaged on material decisions

This may take the form of direct consumer research, or other engagement methods e.g. company communications, consultations and canvassing stakeholders

## Where decisions are material there is a general expectation consumers will be engaged

- However, consumers do not necessarily expect direct consumer research on all material issues – directly/indirectly disseminating information about decision-making can also be appropriate.
- They may also be satisfied with representation through other means e.g. consumer representative groups or those with technical expertise
- While some participants could see drawbacks from the process of engaging customers – for example slowed decisions, additional expense, and potential lack of expert knowledge/objectivity – many were unaware.

## When given the option to be directly involved, to receive information after a decision is made, or not to be informed:

- For material decisions, most participants want to receive information only after the decision has been made – fewer want direct involvement in decision-making, and fewest do not want to receive information at all.
- For decisions that are not material, participants prefer being able to find out information themselves if they want it, or not to be involved at all.

## Customers were unable to give meaningful feedback about the best consultation method:

- Briefing customers on full details of current industry consumer representation mechanisms e.g. CCGs was out of scope for this research.
- Best practice in consumer engagement for different industry related topics is explored in greater detail in our project for CCW on [Meaningful Engagement and Better Outcomes](#).

*"I believe this [investment decision impacting water quality] is quite a big announcement. Local people would need to be aware of beach/water closures and why." – HH customer*

*"I would find out one way or another when the website changes. I just hope its better for everyone." – HH customer*

*"This [seasonal tariff] would impact me directly financially so I would want to feel that I had an opportunity to voice my opinion.." – HH customer*

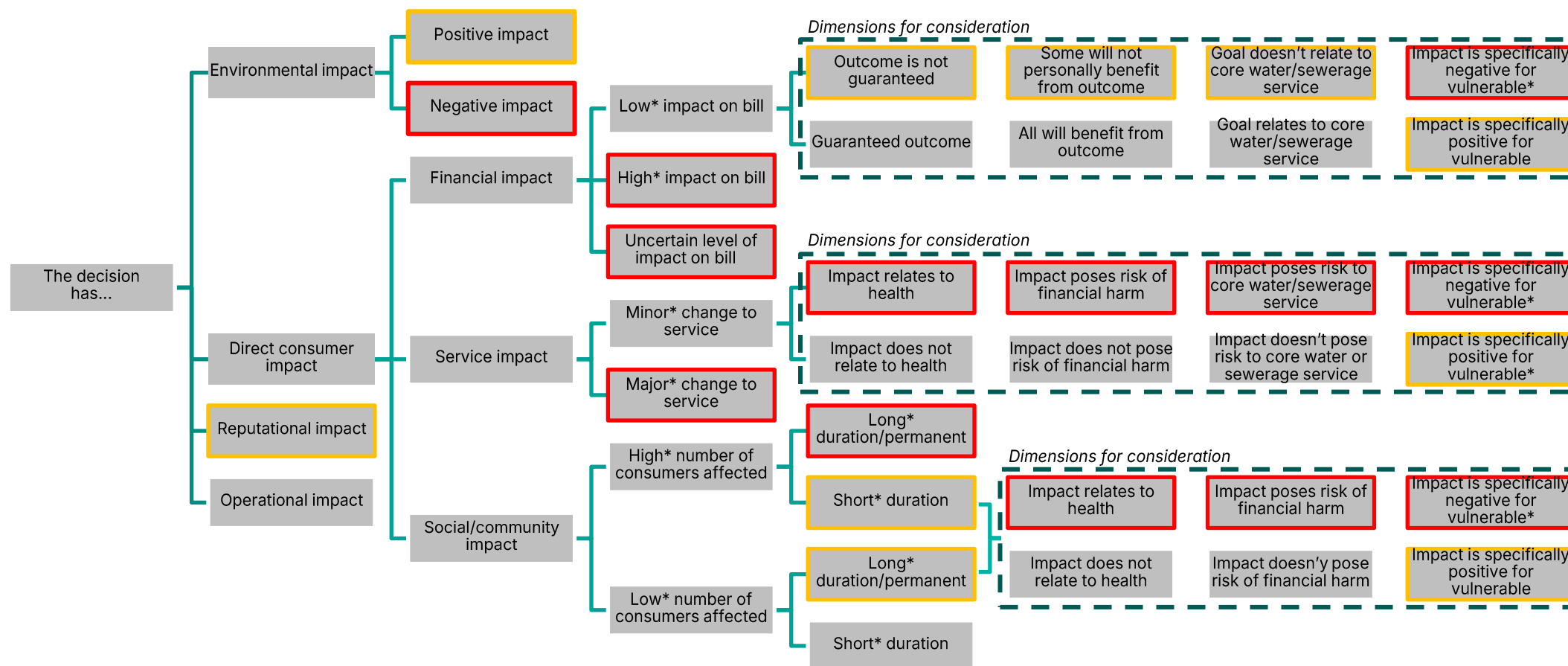
# 04

## Assessing materiality

The elements considered by consumers to determine whether an impact of a decision is material or not

# Consumer materiality assessment flowchart

This flow charts illustrates the elements considered by consumers to determine whether an impact of a decision is material or not – further details on how to interpret it are given on the following slides.



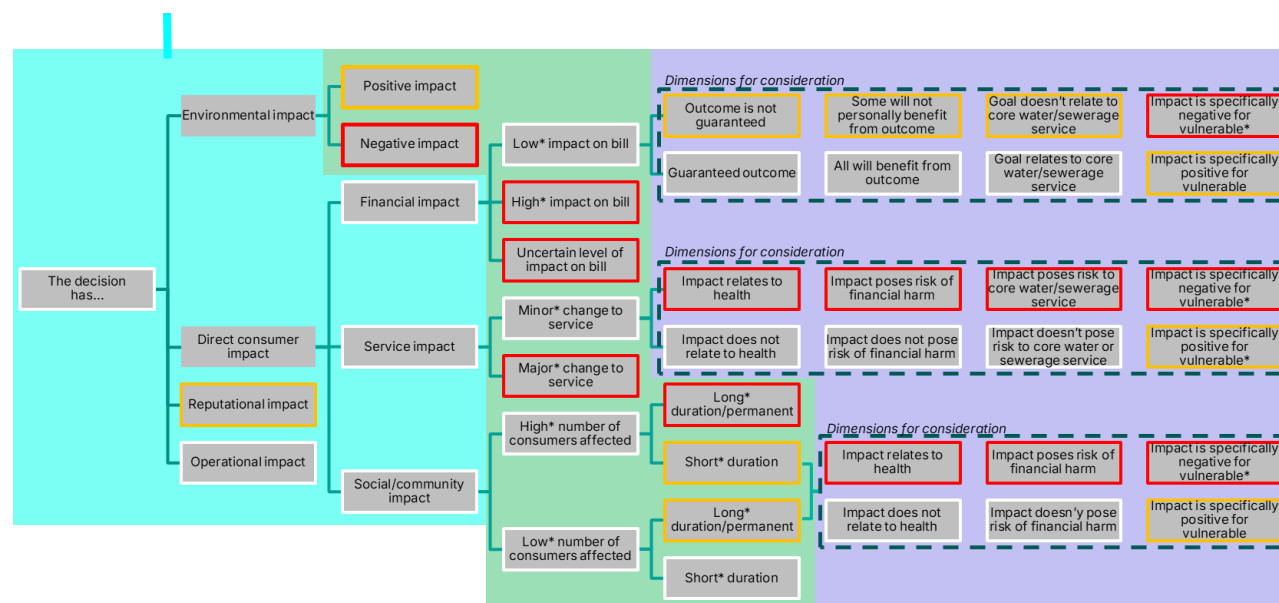
**KEY:**   Elements that are ALWAYS MATERIAL   Elements that are SOMETIMES MATERIAL \* Subjective: definition to be determined

# Using flowcharts to understand materiality

Scenarios detail the potential positive and negative impacts of the decision, which may be categorised as follows:

- **Direct consumer financial impact:** *Direct financial impact on consumers e.g. increase/reduction in bills*
- **Direct consumer service impact:** *Direct impact on service received by consumers e.g. change to core water/sewerage service provision, incident response, comms channels etc*
- **Direct consumer community/social:** *Direct impact on regional communities from company activity e.g. noise/disruption, employment opportunities, trade*
- **Environmental impact:** *Direct impact on the environment e.g. increase/reduction in sewage pollution*
- **Reputational impact:** *Likely effect on company reputation – for example a decision which touches on a high profile or particularly sensitive topic*
- **Operational impact:** *Impact on the operational effectiveness of the business e.g. changes to operating costs*

Each impact can be plotted through the flow, following the appropriate pathway for the type of impact.



Other details about the impact can then be plotted, again following the relevant pathway until it comes to an end.

Where an impact follows the pathway and reaches the 'dimensions for consideration' box, all elements within the box should be considered in turn.

# What the assessment flow outcomes mean

Where an impact follows the pathway and passes through a box with a coloured outline or an asterisk, further consideration is required

Material element

- High levels of care around this element
- Identifies a material decision which will likely require consumer involvement – often (but not always) from the entire consumer base
- Likely requires consumer involvement around *whether* a decision goes ahead or not, as well as *how* it is implemented

Potentially material element

- Potentially high levels of care around this element
- A flag for a potentially material element which will may require consumer involvement – often from specific consumer segments - depending on the nature of the decision
- More likely to require consumer involvement around *how* a decision is implemented

\* Definition required

- Elements that require further definition to remove ambiguity
- For example – what does 'high' or 'low' mean within the context of customer bill increases? How is 'vulnerable' defined in practice?
- This could be achieved through further consumer research, or with a decision from Ofwat

# Material elements

## These elements are always material, requiring consumer involvement

High \* impact on bill

- Strong desire to be consulted directly on decisions resulting in 'high' bill increases; definition will need guidance.
- Heightened sensitivity given perceived high living costs and reflecting low trust in water industry; higher bills raise value for money questions and suspicions of company profiteering.
- Those on social tariffs, those struggling to pay but ineligible for support, vulnerable audiences and high usage customers feel heightened **loss sensitivity**, with a perceived financial loss reflecting an existential threat e.g. unable to pay rent/afford food.
- Concern for those struggling pay, even if not directly impacted.

Uncertain level of impact on bill

- Uncertainty has similar response to 'high' bill impact. See above.
- Reflects human instinct for '**ambiguity aversion**' - dislike of uncertainty, and importance placed on predictability and known probabilities during decision-making processes.

Negative impact on environment

- Environmental protection important to consumers, with perception that urgent improvement is needed.
- Heightened sensitivity relating to sewage pollution given extensive media coverage.
- But often secondary where there is also a financial impact to consider.

Major\* change to service

- Wariness and sense of perceived loss when a significant change to the status quo is proposed – even where the likelihood of experiencing this service is very low.
- While consumers articulated a perceived 'major' change to service, further research or regulator input may be useful to remove ambiguity around how major (and minor) are defined.

# Material elements

**These elements are always material, requiring consumer involvement**

Negative impact on vulnerable \*

- Strong desire to protect vulnerable/highest risk, even when not vulnerable personally. Driven by **altruism and empathy-driven bias**, which motivates protective behaviour towards those perceived as weakest or most at risk.
- Definition of vulnerability will need guidance.

Risk of harm to health

- Any actual or perceived potential risk to health (e.g. E.coli, children walking through contaminated water, sewage in bathing waters) is highly emotive, more so than other risks e.g. financial or environmental impacts.
- Driven by **visceral risk perception**, where emotional reactions can override analytical reasoning and intensify the perception of risk.

Risk of financial harm

- Relevant to activities/decisions from a water company that might indirectly impact consumer financial wellbeing e.g. decisions that affect local economy/business profitability.
- Similarities with materiality of high/uncertain bill increases.

Risk to provision of core water/sewerage service

- Water is an essential service; provision of a reliable water supply and safe removal of wastewater (without polluting rivers and seas) is seen as the core function and expectation of water companies; in the current climate of low trust, any risk to this core service is seen as material.
- Scepticism that companies will reach the best decisions around service investment hence consumers see a necessary role for independent specialists to be involved on their behalf

Largescale\*+long\* social impacts

- These impacts would be material (and customers told us this directly during fieldwork), but did not come up in the scenarios tested
- Definitions for scale and duration require guidance.

# Potentially material elements

## These considerations are potentially material and may require consumer involvement

Has reputational impact

- Heightened customer concern when decision relates to perceived area of concern/underperformance (e.g. financial transparency, CSOs).
- Those who are most concerned may require involvement, especially relating to the communications used to manage reputational risks - plus the involvement of independent experts to provide assurance.

Outcome isn't guaranteed

- Potential for materiality when increases in bills neither guarantee nor are seen as proportionate to stated benefit, or where bills may keep on rising over the time it takes to achieve the aim e.g. for investment in water catchment management there is significant resistance to idea that outcome is not guaranteed.
- Taps into **loss aversion** – consumer concern for achieving optimal value.

Will not personally benefit from outcome

- Related to financial impacts, reluctance to 'subsidise' others, e.g. resistance to paying for meter installation when already metered, unless **empathy-altruism** bias is in play and they perceive a vulnerable party to protect
- Consideration for segments who feel this reluctance more acutely – or for wider customer involvement to shape how decisions are implemented (e.g. communications)

Goal does not relate to core water/sewerage service

- Investment for activity perceived as a 'nice to have' may be regarded as unjustifiable, particularly within context of low trust in effectiveness of water companies to deliver core services responsibly.
- Consideration dependent on scale of decision e.g. high levels of consumer interest if 'warm voice' call centre removed altogether vs more minor system changes.

# Potentially material elements

**These considerations are potentially material and may require consumer involvement**

Neutral/positive impact on environment

- Environmental protection is important to consumers; many perceive underperformance by companies in this area and want to ensure investments will achieve positive outcomes, even if not directly involved in consultation.

Neutral/positive impact on vulnerable \*

- Consideration for vulnerable audiences remains even where they will be positively impacted.
- Most often, the consideration relates to how changes are implemented, with both vulnerable and non-vulnerable audiences potentially requiring direct involvement e.g. deciding how vulnerability is defined and addressed by companies.

Largescale\*+short\* social impact

Small-scale\*+long\* social impact

- Materiality increases with the scale and duration of social impacts.
- Local impacts e.g. from construction or on local employment, are typically only engaged with by customers living nearby, and many feel these are worthwhile if the decision they are related to is acceptable.

Has operational impact

- Operational impacts typically do not interest consumers and do not feature as a consideration for materiality; instead, consumers care about the 'downstream' impacts that affect them more directly.
- They expect companies to make the right technical and/or cost-efficient operational decisions – or, if less trusting, want independent experts to get involved e.g. in deciding how to rollout meters or relocate HQ.

# 05

## Worked examples of assessments

Using hypothetical scenarios to determine what impacts consumers consider material

# Scenario A

**WATER COMPANY DECISION:** Whether or not to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme).

**CONTEXT:** Upgrading water treatment works is important to meet water quality standards and protect the environment. Modern systems are designed to treat larger volumes of water and have better processes for treating contaminants such as bacteria, viruses and chemicals – reducing the risk of pollution and helping to ensure the supply of clean and safe drinking water. Your company had previously earmarked funding to upgrade water treatment works in its business plan, which was signed off by customers. This funding was based on new water filtration technology becoming available, but this has been developed faster than planned. Your company is considering bringing the upgrade forward; investments (which are funded through customer bills) would be made earlier than planned.

**OUTCOME:** All customers in the region will benefit sooner than initially planned from a more resilient and safer water supply. Improved processes will also protect water environments. Upgrading will lead to longer term cost savings by reducing maintenance costs.

**CONSUMER IMPACTS:**

- Bills will increase sooner than initially planned to fund the upgrade.
- Upgrading the water treatment plant will involve several months of construction, which may cause noise and traffic disruption for those living or working nearby.

*"I care about the decision as I want to see water quality improve and be happy that it is always safe." – HH customer*

*"It affects me if my bills rise and I would want to make sure this is for a good reason and not for the profit of the company." – HH customer*

*"A normal functioning company would have set aside funds for such an undertaking as described, without seeing it as their fundamental right to squeeze their (monopoly) customers whenever they feel like it." – HH customer*

**Whether to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme)**

*Bringing forward a planned upgrade to water treatment works set out in the business plan, as new technology has been developed faster than expected.*

## + impacts

- Long-term cost savings
- Protection of water environments
- Safer and more resilient water supply

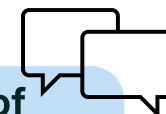
## - impacts

- Bill increase for all
- Construction disruption



## Amount consumers care about decision: **HIGH**

- **Bill increases** for all customers is the primary factor:
  - Consumers want to understand the proposal which involves a trade-off between higher bills in the short-term for a safer water supply, environmental protection and operational cost savings in the long-term – which they perceive may result in lower bills.
- Widespread support for **infrastructure upgrades** relating to core function - to provide a safe, reliable and high-quality water supply.
- **Lack of trust** in water companies, which are considered profit-motivated – increases relevance of this decision to customers, who want to see evidence of transparency and accountability.
- Noise and traffic **disruption** would be of concern only if consumers lived near the planned works and lasted 'a long time'.
- **Protection of water environments** seen as positive, but considered a secondary impact.



## Potential engagement: Representative group of customers and specialist organisations

- Consumers who can represent the views of the wider base, to inform decisions that will **impact bills**.
- Specialist organisations perceived to have the **technical expertise** (which customers felt they lacked) to ensure correct decision is reached.
  - They may also explain the decision to customers from an **independent standpoint** (helping to overcome low trust - a voice to accurately and fairly inform customers).

# Treatment plant upgrades

**SCENARIO: Whether to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme)**  
 Bringing forward a planned upgrade to water treatment works set out in the business plan, as new technology has been developed faster than expected.

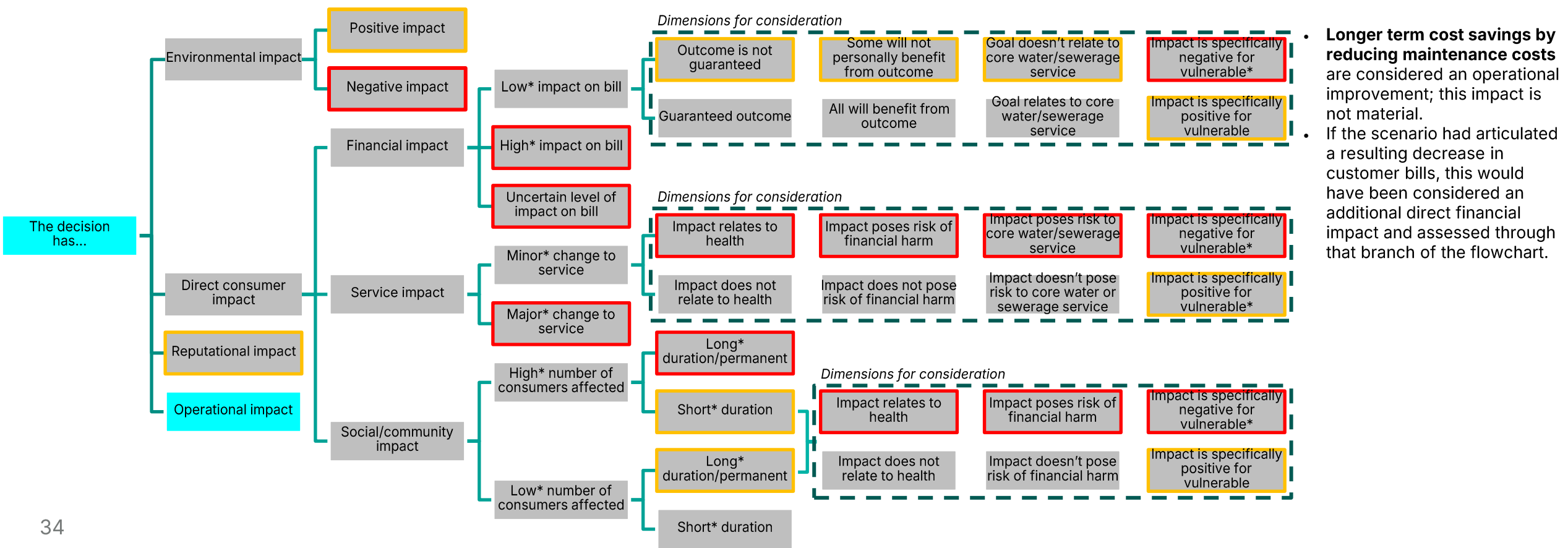
- + impacts**
- Long-term cost savings
  - Protection of water environments
  - Safer and more resilient water supply

- impacts**
- Bill increase for all
  - Construction disruption

**KEY:**

- Decision steps for worked example
- Elements that are ALWAYS MATERIAL
- Elements that are SOMETIMES MATERIAL
- M Impact IS material for worked example

\* Subjective: definition to be determined



# Treatment plant upgrades

**SCENARIO: Whether to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme)**  
 Bringing forward a planned upgrade to water treatment works set out in the business plan, as new technology has been developed faster than expected.

- + impacts**
- Long-term cost savings
  - Protection of water environments
  - Safer and more resilient water supply

- impacts**
- Bill increase for all
  - Construction disruption

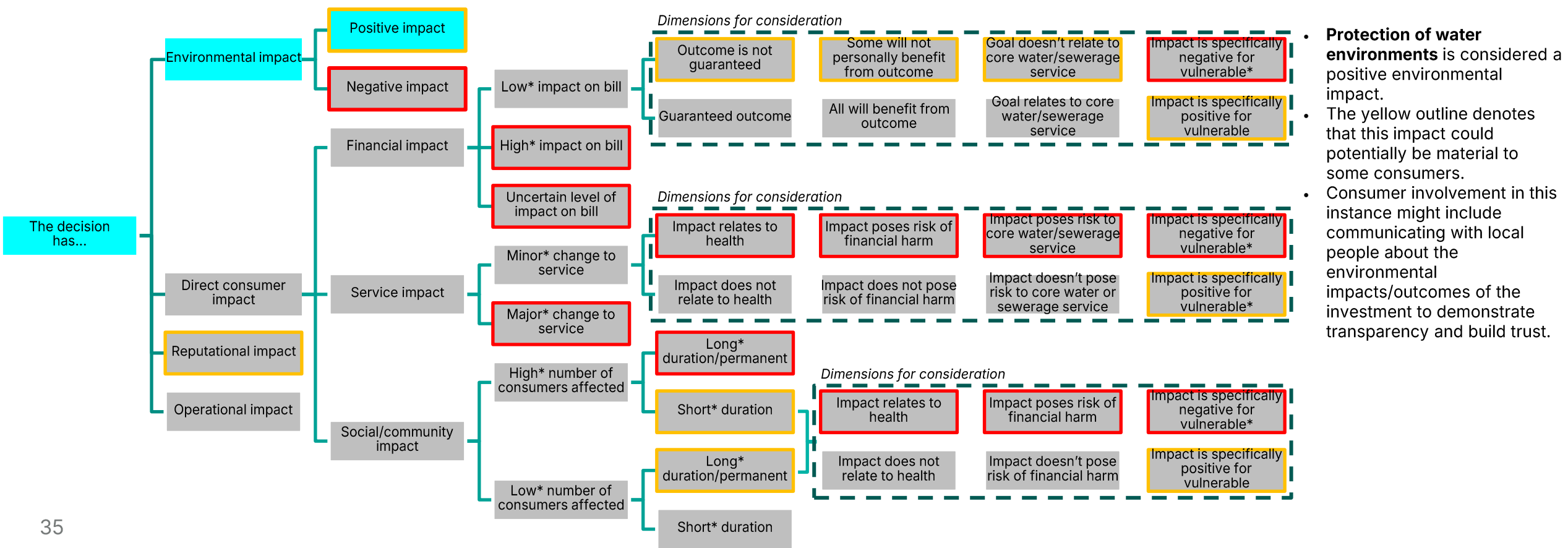
## Navigator

\* Subjective elements: Definition determined either by consumer or regulator

### KEY:

Decision steps for worked example
Elements that are ALWAYS MATERIAL
Elements that are SOMETIMES MATERIAL
M Impact IS material for worked example

\* Subjective: definition to be determined



- Protection of water environments** is considered a positive environmental impact.
- The yellow outline denotes that this impact could potentially be material to some consumers.
- Consumer involvement in this instance might include communicating with local people about the environmental impacts/outcomes of the investment to demonstrate transparency and build trust.

# Treatment plant upgrades

**SCENARIO: Whether to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme)**  
 Bringing forward a planned upgrade to water treatment works set out in the business plan, as new technology has been developed faster than expected.

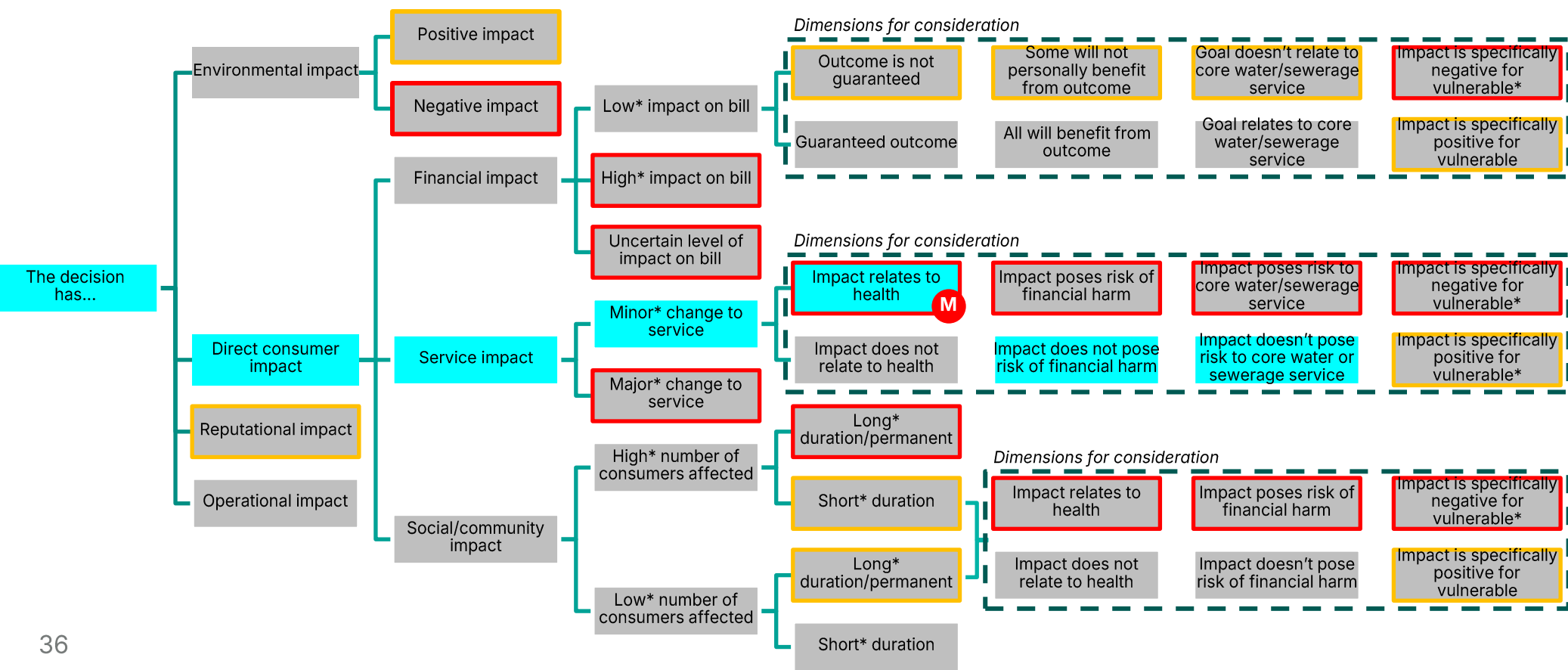
- + impacts**
- Long-term cost savings
  - Protection of water environments
  - **Safer and more resilient water supply**

- impacts**
- Bill increase for all
  - Construction disruption

**KEY:**

- Decision steps for worked example
- Elements that are ALWAYS MATERIAL
- Elements that are SOMETIMES MATERIAL
- M Impact IS material for worked example

\* Subjective: definition to be determined



- **A safer and more resilient water supply** was considered a minor change to service (given current water service is generally safe and reliable).
- This improvement in service does not pose a risk of financial harm or interruption to the core water/sewerage service, and has no specific impact on vulnerable people.
- This impact does relate to health and is therefore material to consumers – given there are other material elements for this scenario, the health implications of the decision would be included as one aspect of the discussion.

# Treatment plant upgrades

**SCENARIO: Whether to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme)**  
 Bringing forward a planned upgrade to water treatment works set out in the business plan, as new technology has been developed faster than expected.

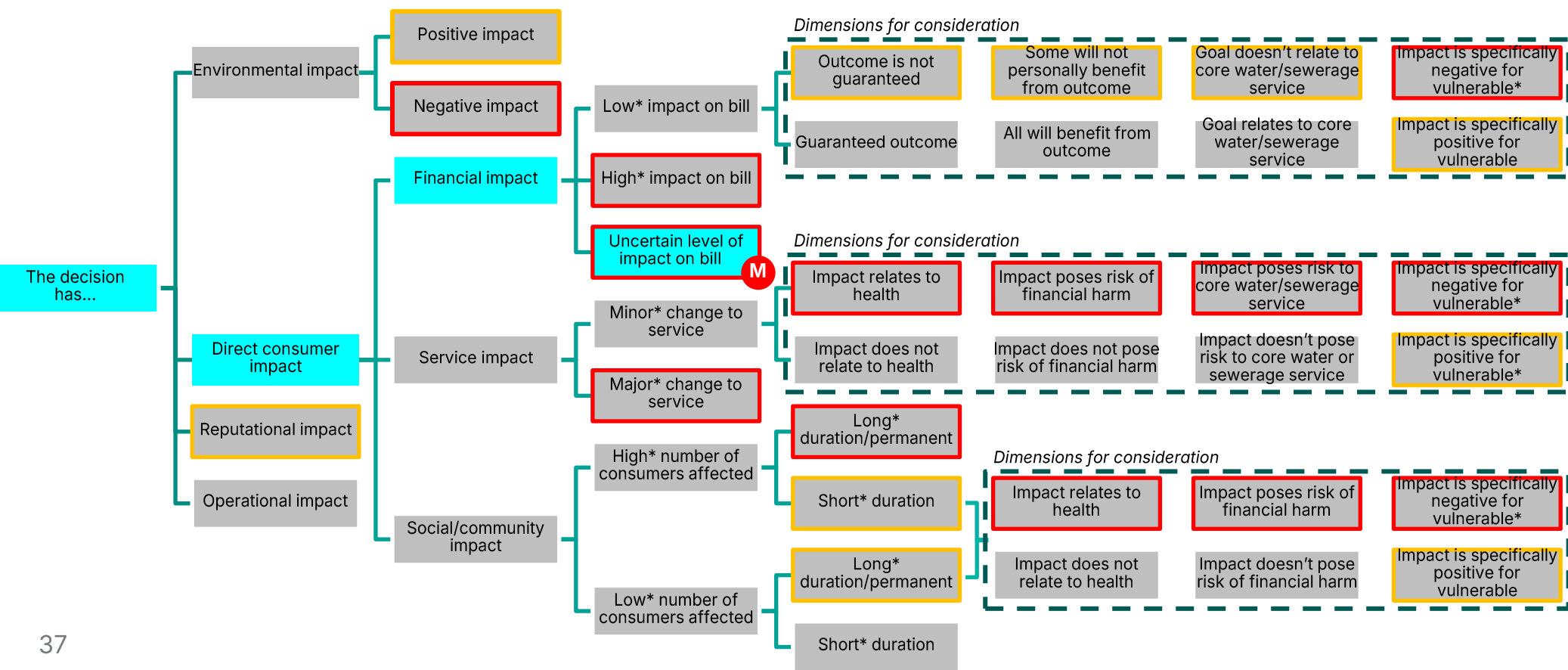
- + impacts**
- Long-term cost savings
  - Protection of water environments
  - Safer and more resilient water supply

- impacts**
- **Bill increase for all**
  - Construction disruption

**KEY:**

- Decision steps for worked example
- Elements that are ALWAYS MATERIAL
- Elements that are SOMETIMES MATERIAL
- M Impact IS material for worked example

\* Subjective: definition to be determined



- **A bill increase for all** is considered a direct financial impact on the consumer.
- In this scenario the bill increase was not specified to be high or low, therefore 'uncertain level of impact on bill' was selected.
- The red outline denotes that this impact is material to consumers.
- For this scenario, consumers wanted involvement from a representative group of customers, as well specialist organisations who have the technical expertise to assess the trade-off.

# Treatment plant upgrades

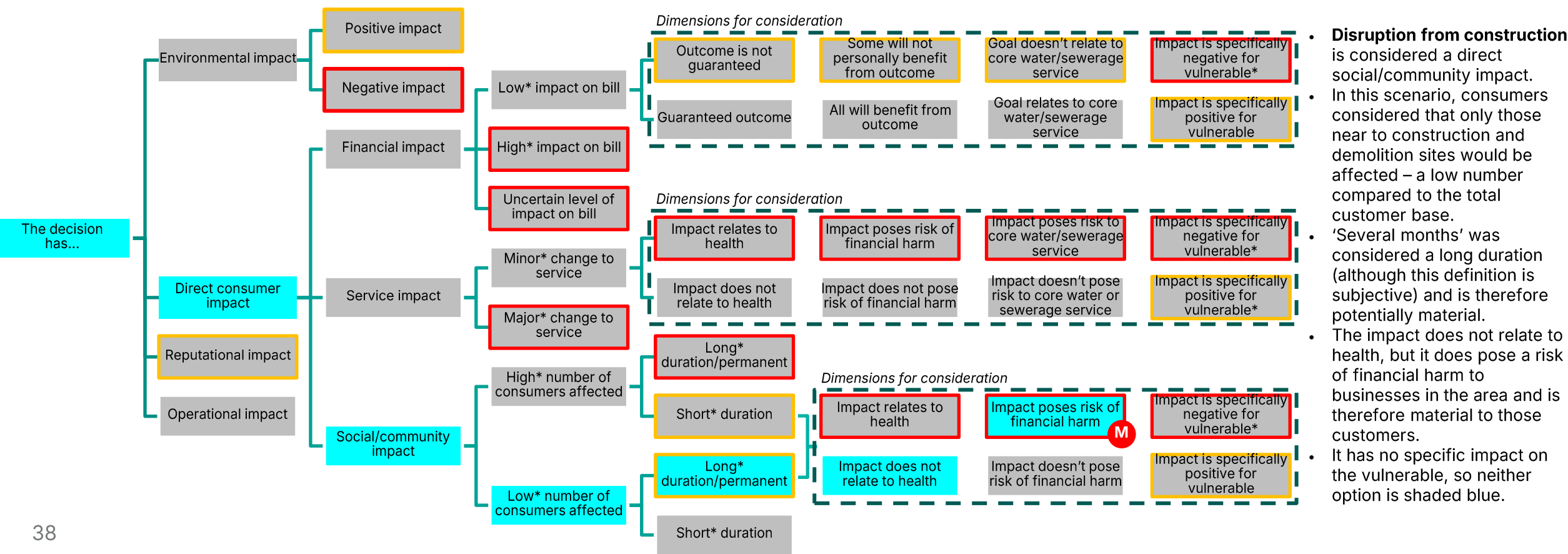
**SCENARIO: Whether to invest in a major programme of upgrades to water treatment plants (over and above the usual maintenance programme)**  
 Bringing forward a planned upgrade to water treatment works set out in the business plan, as new technology has been developed faster than expected.

- + impacts**
- Long-term cost savings
  - Protection of water environments
  - Safer and more resilient water supply

- impacts**
- Bill increase for all
  - **Construction disruption**

**KEY:**   Decision steps for worked example      Elements that are ALWAYS MATERIAL      Elements that are SOMETIMES MATERIAL    M Impact IS material for worked example

\* Subjective: definition to be determined



# Scenario B

**WATER COMPANY DECISION:** Whether to invest in significant infrastructure works to improve coastal bathing water quality at a local site popular with families, dog walkers and swimmers.

**CONTEXT:** A popular local beach has recently become a designated bathing site. This means the Environment Agency tests the water during the bathing season for faecal bacteria, which can harm wildlife and make bathers ill if ingested. Each designated site is then given an annual water quality ranking based on these tests. Water quality at this beach has recently been rated 'sufficient', the second lowest ranking of four, and meets the minimum legal standard for swimming. Local swimmers have been campaigning for the company to invest in minimising sewage spills from storm overflows near the beach. They hope this will improve the site's rating and make it safer to swim in. Their campaign has gained significant media attention. The company has assessed the situation and found that significant infrastructure work would be required to reduce the spills. This would involve closing the beach for a year while a new pipe is built to carry spills from overflows away from the sea to a treatment works.

**OUTCOME:** Improved water quality will benefit families and swimmers by reducing the risk of becoming ill from going in the water – and indirectly, the businesses such as cafes and shops that benefit from operating near a popular bathing destination. It will also benefit aquatic life. However, water quality improvements are not guaranteed. While this investment reduces pollution from the water company's storm overflow, it does not stop other pollutants such as farming 'run off' and industrial spills affecting the water quality.

**CONSUMER IMPACTS:**

- This investment was not originally planned because the water company did not know the area would become a designated bathing site. As a result, this coastal improvement project will result in bill increases for all customers, on top of the recent bill increases agreed with Ofwat.
- The work will involve several months of construction which may cause noise and traffic disruption for those living or working nearby.
- The work will also require the beach to be closed for a year, meaning that locals and visitors cannot use it.
- Businesses who may ultimately benefit will also be inconvenienced by the beach closures

*"I think it is extremely important for our water to be safe to swim in while also benefiting marine life. Families should be able to enjoy clean water to swim in at the beach." – HH customer*

*"it is a major decision - one that weighs off water company profits v local environment and leisure for local communities.." – HH customer*

## B Improving coastal bathing water quality

**Whether to invest in a significant infrastructure works to improve coastal bathing water quality at a recently designated coastal bathing site**

*Closing the beach for a year to build a pipe to carry away sewage spills, following pressure from local swimmers to invest. Quality is currently ranked as sufficient.*

### + impacts

- Reduced illness risk for water users
- Increased business footfall
- Benefits aquatic life

### - impacts

- Bill increase for all
- Disruption from construction and beach closure

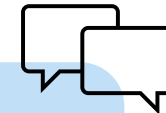
Navigator

### Amount consumers care about decision: **HIGH**



- Poor water quality may **impact customer health**, with particular concern about children getting ill after using water.
- Consumers sensitive to **poor performance**:
  - Poor water quality seen as evidence that companies are not delivering a core part of their service (i.e. ensuring clean, safe rivers and seas).
- Greater strength of feeling due to **high profile nature** of sewage pollution – some have experienced it directly when using water bodies or heard about it in the media.
- **Bill rises** impact everyone, even though the investment will have very local benefits, so consumers want to input on this trade-off (and say they will care more if the increase is large).
- Positive impacts on aquatic life seen as a secondary benefit of the investment, rather than the core reason to care.
- Enabling safe swimming and protecting aquatic life is highly emotive for wild swimmers, and cuts through more to those in coastal areas, regardless of site location.
- Construction and beach closure would be of concern if living nearby.

### Potential engagement: All customers, and particularly those in local area. Specialist orgs.



- Local voices perceived as most important due to **localised impacts** (both during site closure and afterwards).
- **Bill rises** impact everyone, so consumers want input on trade-off
- Also involving specialists:
  - To provide technical knowledge around water quality.
  - **Lack of trust in companies** to address coastal pollution, but customers feel unable to assess trade-offs effectively. Experts provide **an independent perspective** on whether to go ahead (including assessing potential alternatives).

# B Improving coastal bathing water quality

**Whether to invest in a significant infrastructure works to improve coastal bathing water quality at a recently designated coastal bathing site**

Closing the beach for a year to build a pipe to carry away sewage spills, following pressure from local swimmers to invest. Quality is currently ranked as sufficient.

- + impacts**
- Reduced illness risk for water users
  - Increased business footfall
  - Benefits aquatic life

- impacts**
- Bill increase for all
  - Disruption from construction and beach closure

**KEY:**

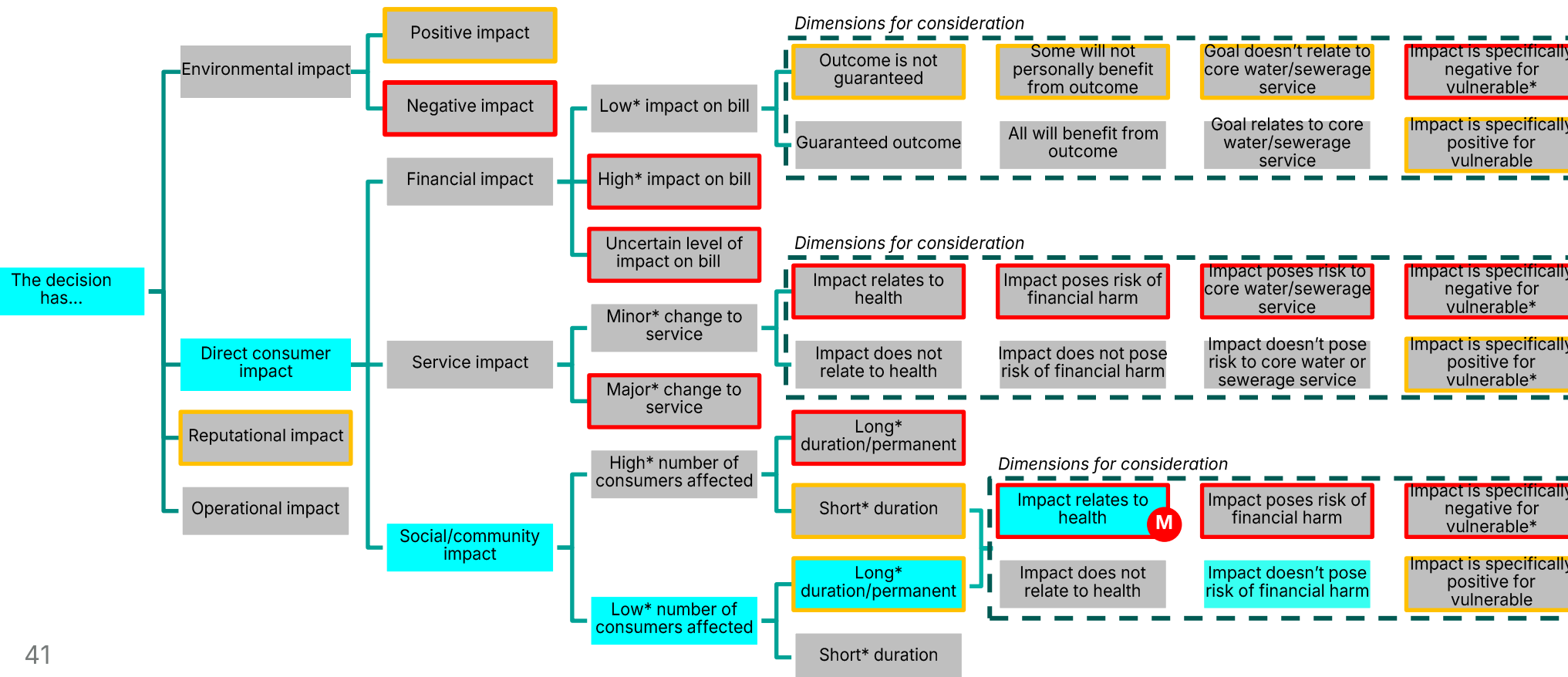
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

Impact IS material for worked example

\* Subjective: definition to be determined



- **Reduced illness risk for water users** is considered a direct social/community impact.
- While low numbers of consumers would be affected by this improvement, the impact relates to health and is likely to be an emotive topic for water-users, who will likely want to input on whether the initiative goes ahead or not.
- This element is therefore material.

# B Improving coastal bathing water quality

**Whether to invest in a significant infrastructure works to improve coastal bathing water quality at a recently designated coastal bathing site**

Closing the beach for a year to build a pipe to carry away sewage spills, following pressure from local swimmers to invest. Quality is currently ranked as sufficient.

- + impacts**
- Reduced illness risk for water users
  - Increased business footfall
  - Benefits aquatic life

- impacts**
- Bill increase for all
  - Disruption from construction and beach closure

**KEY:**

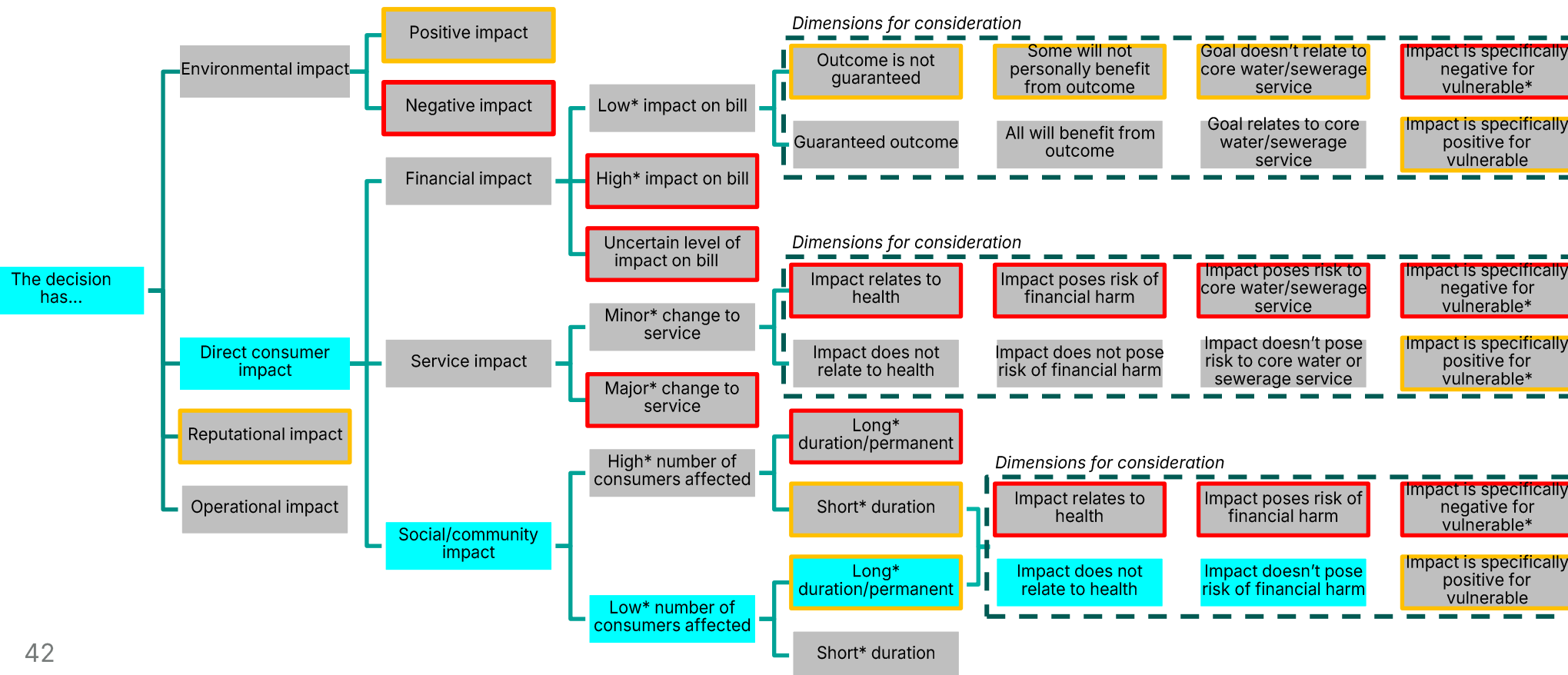
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

M Impact IS material for worked example

\* Subjective: definition to be determined



- Increased business footfall** is considered a direct social/community impact.
- This positive impact is potentially material because it would be permanent – businesses may want involvement in terms of understanding project timelines so that they can plan their own business activities. Given engagement with businesses would be likely due to the risk of financial harm from beach closures during construction, this topic would likely be covered in the overall discussion.

# B Improving coastal bathing water quality

**Whether to invest in a significant infrastructure works to improve coastal bathing water quality at a recently designated coastal bathing site**

Closing the beach for a year to build a pipe to carry away sewage spills, following pressure from local swimmers to invest. Quality is currently ranked as sufficient.

- + impacts**
- Reduced illness risk for water users
  - Increased business footfall
  - Benefits aquatic life**

- impacts**
- Bill increase for all
  - Disruption from construction and beach closure

**KEY:**

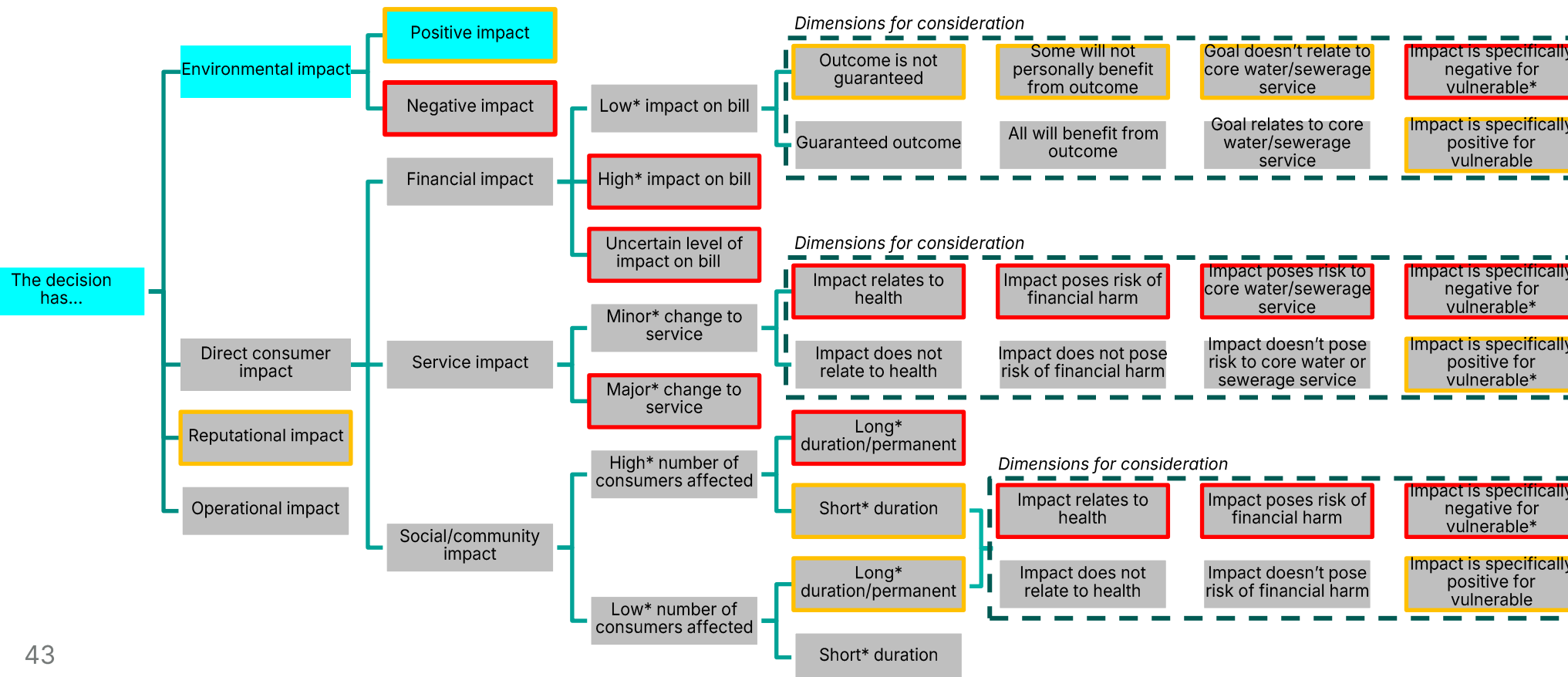
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

M Impact IS material for worked example

\* Subjective: definition to be determined



- Benefits aquatic life** is considered a positive environmental impact.
- The yellow outline denotes that this impact could potentially be material to some consumers.
- Consumer involvement in this instance might include communicating with local residents, businesses and water-users about the likely environmental impacts/outcomes of the investment to demonstrate transparency and build trust.

# B Improving coastal bathing water quality

**Whether to invest in a significant infrastructure works to improve coastal bathing water quality at a recently designated coastal bathing site**

Closing the beach for a year to build a pipe to carry away sewage spills, following pressure from local swimmers to invest. Quality is currently ranked as sufficient.

- + impacts**
- Reduced illness risk for water users
  - Increased business footfall
  - Benefits aquatic life

- impacts**
- **Bill increase for all**
  - Disruption from construction and beach closure

**KEY:**

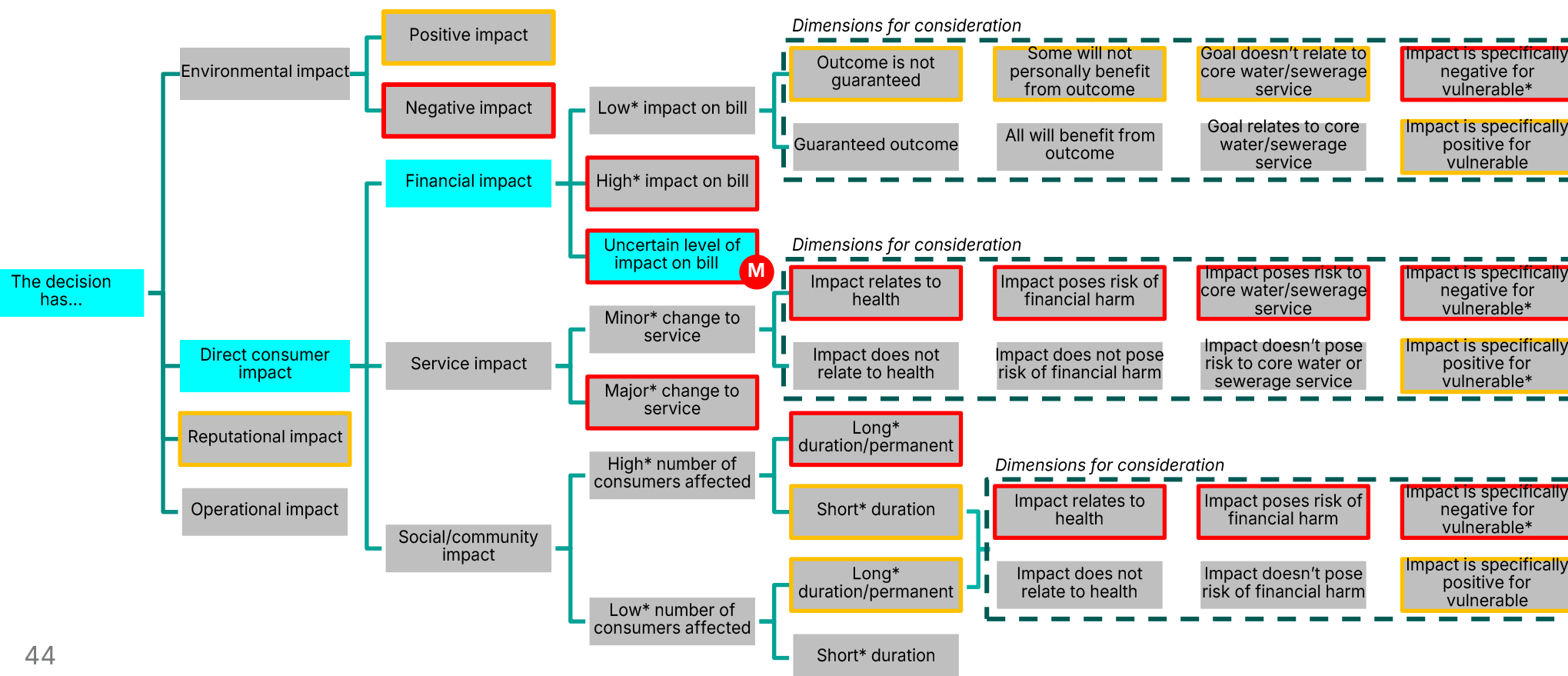
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

M Impact IS material for worked example

\* Subjective: definition to be determined



- **A bill increase for all** is considered a direct financial impact on the consumer
- In this scenario the bill increase was not specified to be high or low, therefore 'uncertain level of impact on bill' was selected.
- The red outline denotes that this impact is material to consumers.
- Customers feel unable to assess the trade-off effectively in this scenario, and want experts to provide an independent perspective on whether to go ahead with it, including assessing potential alternatives.

# B Improving coastal bathing water quality

**Whether to invest in a significant infrastructure works to improve coastal bathing water quality at a recently designated coastal bathing site**

Closing the beach for a year to build a pipe to carry away sewage spills, following pressure from local swimmers to invest. Quality is currently ranked as sufficient.

- + impacts**
- Reduced illness risk for water users
  - Increased business footfall
  - Benefits aquatic life

- impacts**
- Bill increase for all
  - **Disruption from construction and beach closure**

**KEY:**

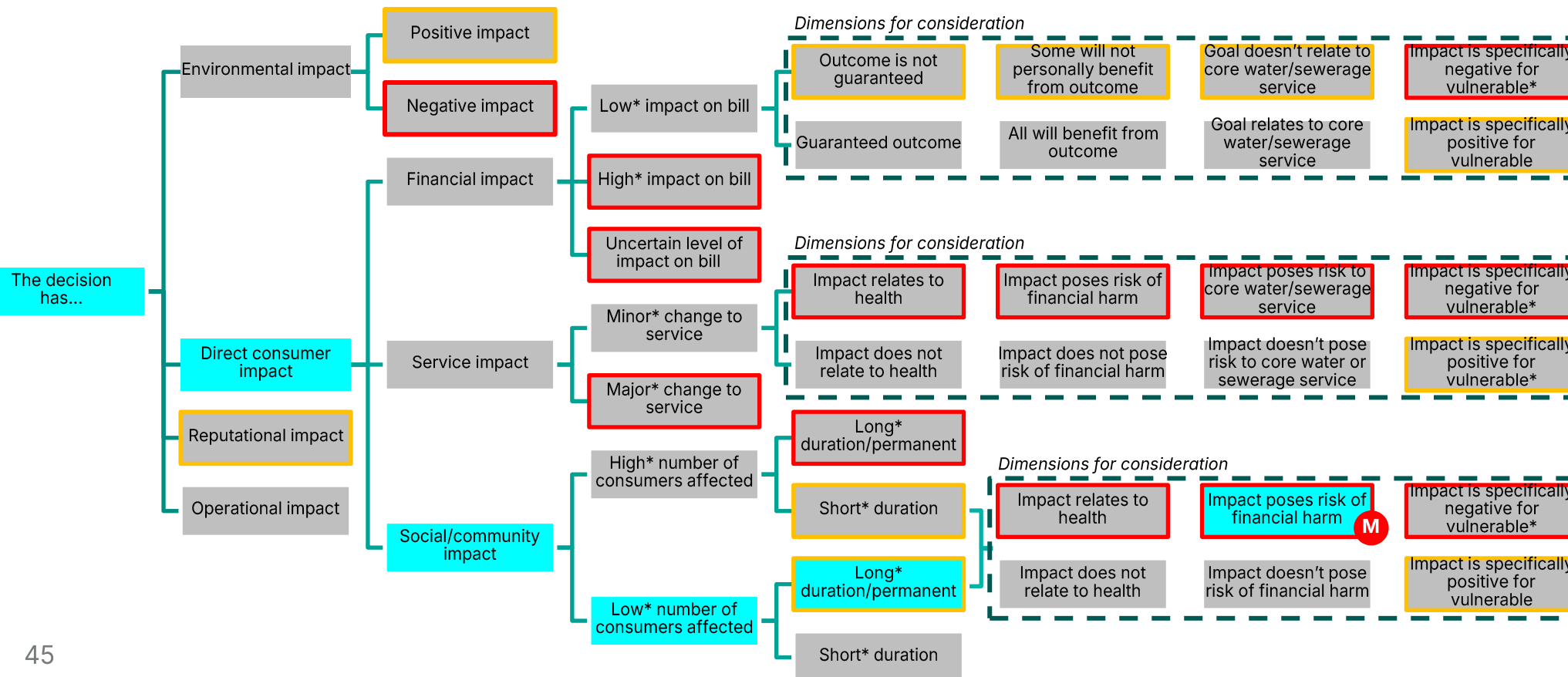
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

Impact IS material for worked example

\* Subjective: definition to be determined



- **Disruption from construction and beach closure** is considered a direct social/community impact.
- In this scenario, consumers considered those living or working near to the site, as well as those visiting the beach would be affected – a low number compared to the total customer base.
- Closure of the beach for a year was considered a long duration (although this definition is subjective) and potentially material.
- It also poses a risk of financial harm to businesses in the area and is therefore material to those customers.
- It has no specific impact on the vulnerable, so neither option is shaded blue.

## **WATER COMPANY DECISION:** How to manage water restrictions during periods of drought

**CONTEXT:** Water companies are required to maintain drought plans to ensure there is a secure public water supply and minimal environmental damage, such as taking too much water from rivers during dry periods. These plans are developed with the Environment Agency and reviewed every 5 years. They set out a series of actions to manage water resources, including restricting certain types of water usage as drought conditions become more severe. The first step is for water companies to ask customers to use less water. If this is not sufficient, restrictions are applied to households through Temporary Use Bans (previously called hosepipe bans), such as bans on watering gardens, filling ponds, or washing cars and windows. If conditions worsen, restrictions are extended to some businesses. For example, some garden centres, leisure park and, golf courses may have to close temporarily. If the drought continues and water supplies become very low, households would experience planned water restrictions for a few hours a day – and in extreme (and very unlikely) circumstances, water would only be available from standpipes in the street. These plans are made to prepare for very unlikely events – a drought requiring standpipes in the street is predicted to happen about once in 100 years.

With increasingly dry summers and growing pressure on water resources, your water company is considering changing the trigger points for introducing restrictions. Options include imposing water restrictions sooner; restricting business use before household use; or introducing more exemptions – for example exempting businesses that rely on water to function.

**OUTCOME:** Changes to the trigger points for introducing different restrictions could improve how water supplies are managed, help protect the environment, and spread impacts more fairly across different types of customers. This is particularly important as droughts are expected to become more common.

### **CONSUMER IMPACTS:**

- Changes to the timing or severity of water restrictions could affect the daily lives of businesses and the general public during drought conditions.

*"I care because water is a basic necessity and affects everyone. So I agree with this approach to ensure we are managing the amount of water available to people." – HH customer*

*"Putting bans on people becomes hard to manage and record, although the impact would be beneficial. I cannot see this not causing argument." – HH customer*

# C Change to water restriction trigger points

**Changing the trigger points for introducing water restrictions during periods of drought, in context of water shortages becoming more common.**

Options include imposing water restrictions sooner, restricting business use before household use, or introducing more exemptions e.g. for water-reliant businesses.

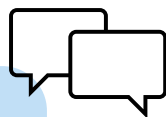
- + impacts**
- Improves how water supplies are managed
  - Spreads impact of restrictions fairly
  - Benefits aquatic life (reduce abstraction)

- impacts**
- Households/ businesses affected by restrictions



## Amount consumers care about decision: **HIGH**

- Water is **essential to survival**, and providing a reliable supply is seen as companies' number one responsibility – particularly strong feelings amongst those who assume that increasing droughts are a result of **company mismanagement**.
- Strong support for companies taking action, particularly as perception that droughts are becoming more common.
- Conscious that more severe restrictions could temporarily **impact daily routines**
- Household customers feel strongly that **domestic customer needs should be prioritised** over businesses, and worry that this is currently not the case. We did not test this scenario with non-household customers.
- Some feel **particularly** sensitive to having freedoms curtailed, e.g. keen gardeners



## Potential engagement: **Specialist orgs. Impacted customers. Representative customer groups.**

- Conserving water resources is perceived to be technical issue where companies are underperforming: **experts** can use their knowledge to hold companies to account.
  - An independent perspective will also ensure restrictions are fair and alternative options assessed.
- **Specifically impacted customers:** e.g. businesses (with commercial ramifications) and vulnerable customers (who may find restrictions harder to cope with).
- The essential nature of water, and the potential for widespread impact of any change to restrictions leads some to want **representative groups** consulted.

# C Change to water restriction trigger points

**Changing the trigger points for introducing water restrictions during periods of drought, in context of water shortages becoming more common.**

Options include imposing water restrictions sooner, restricting business use before household use, or introducing more exemptions e.g. for water-reliant businesses.

- + impacts**
- Improves how water supplies are managed
  - Spreads impact of restrictions fairly
  - Benefits aquatic life (reduce abstraction)

- impacts**
- Households/ businesses affected by restrictions

**KEY:**

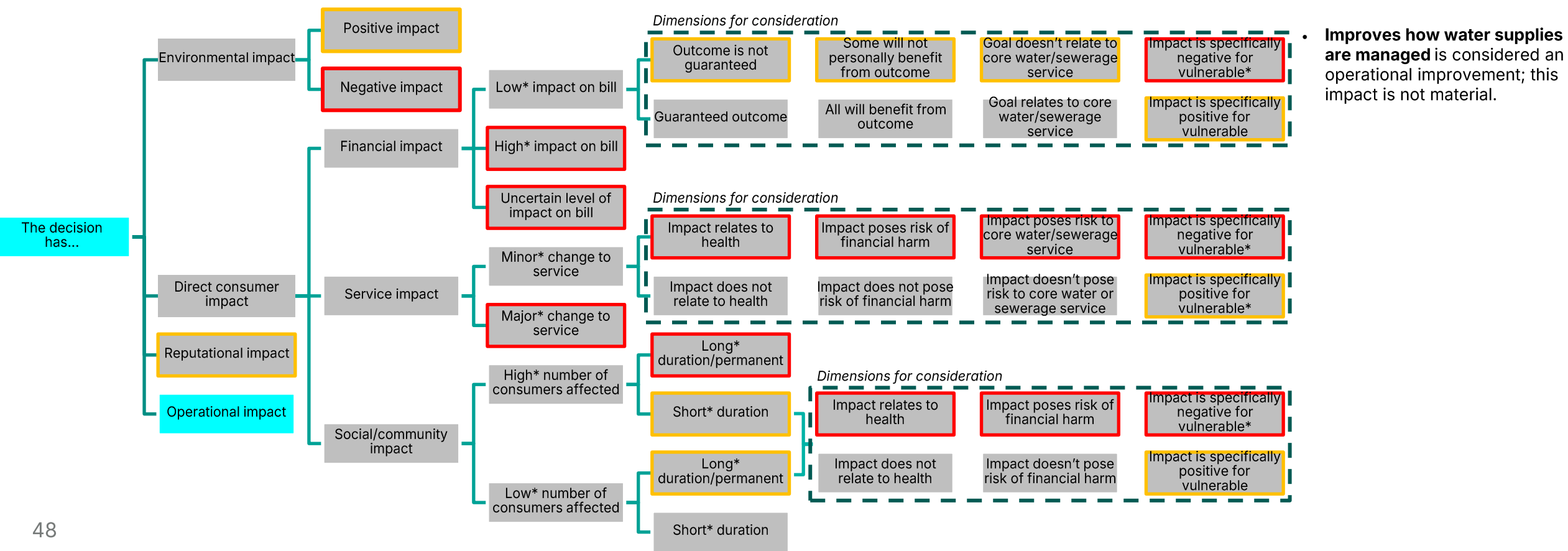
  Decision steps for worked example

  Elements that are ALWAYS MATERIAL

  Elements that are SOMETIMES MATERIAL

M Impact IS material for worked example

\* Subjective: definition to be determined



• **Improves how water supplies are managed** is considered an operational improvement; this impact is not material.

# C Change to water restriction trigger points

**Changing the trigger points for introducing water restrictions during periods of drought, in context of water shortages becoming more common.**

Options include imposing water restrictions sooner, restricting business use before household use, or introducing more exemptions e.g. for water-reliant businesses.

- + impacts**
- Improves how water supplies are managed
  - Spreads impact of restrictions fairly
  - Benefits aquatic life (reduce abstraction)

- impacts**
- Households/ businesses affected by restrictions

**KEY:**

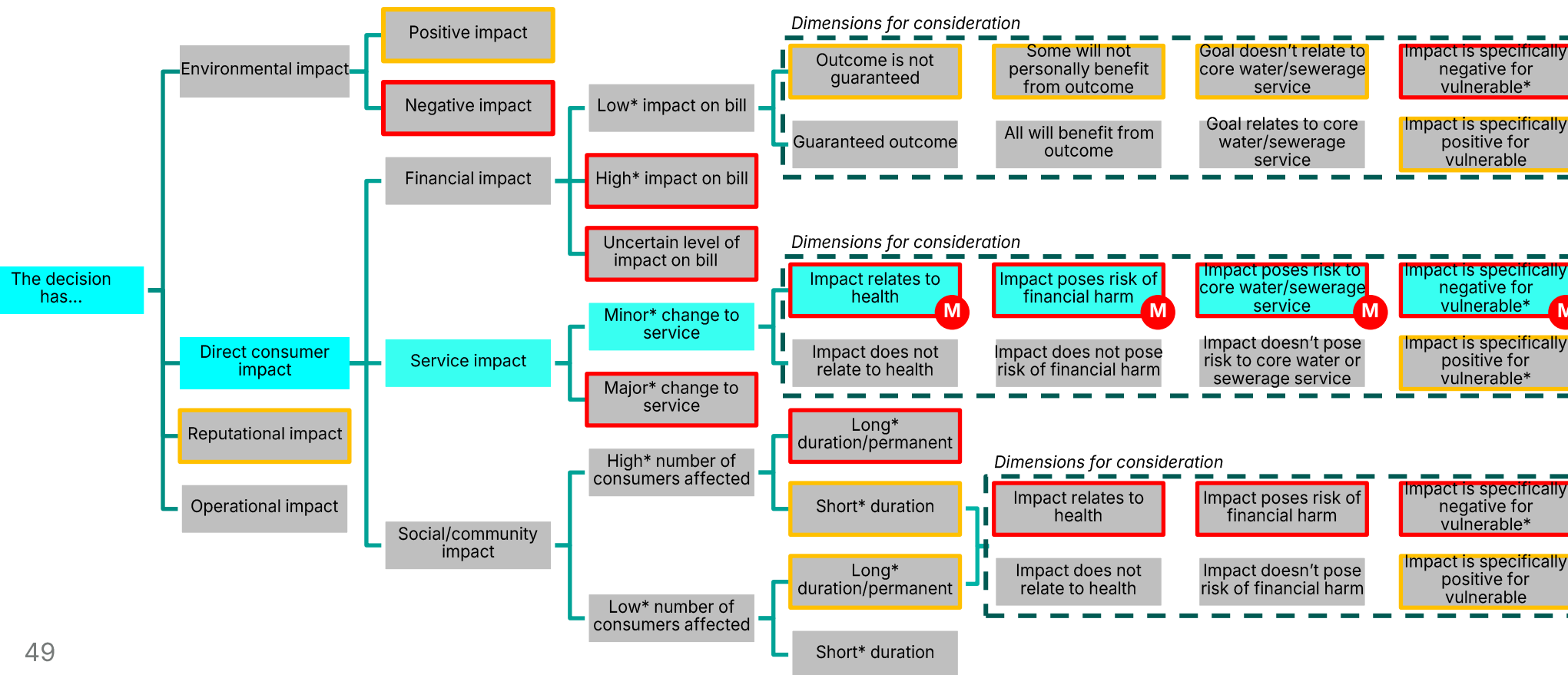
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

Impact IS material for worked example

\* Subjective: definition to be determined



- Spreads impact of restrictions fairly** is considered a direct service impact.
- Although restrictions are unlikely to be implemented – and this therefore constitutes a ‘minor’ change in service – given water is essential to survival, this impact relates to health and is therefore material to consumers. In addition, it may pose risk of financial harm to businesses who cannot operate without water, poses a risk to the core water service and have a specific negative impact on vulnerable households, who may struggle to access other supplies.

# C Change to water restriction trigger points

**Changing the trigger points for introducing water restrictions during periods of drought, in context of water shortages becoming more common.**

Options include imposing water restrictions sooner, restricting business use before household use, or introducing more exemptions e.g. for water-reliant businesses.

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- impacts**
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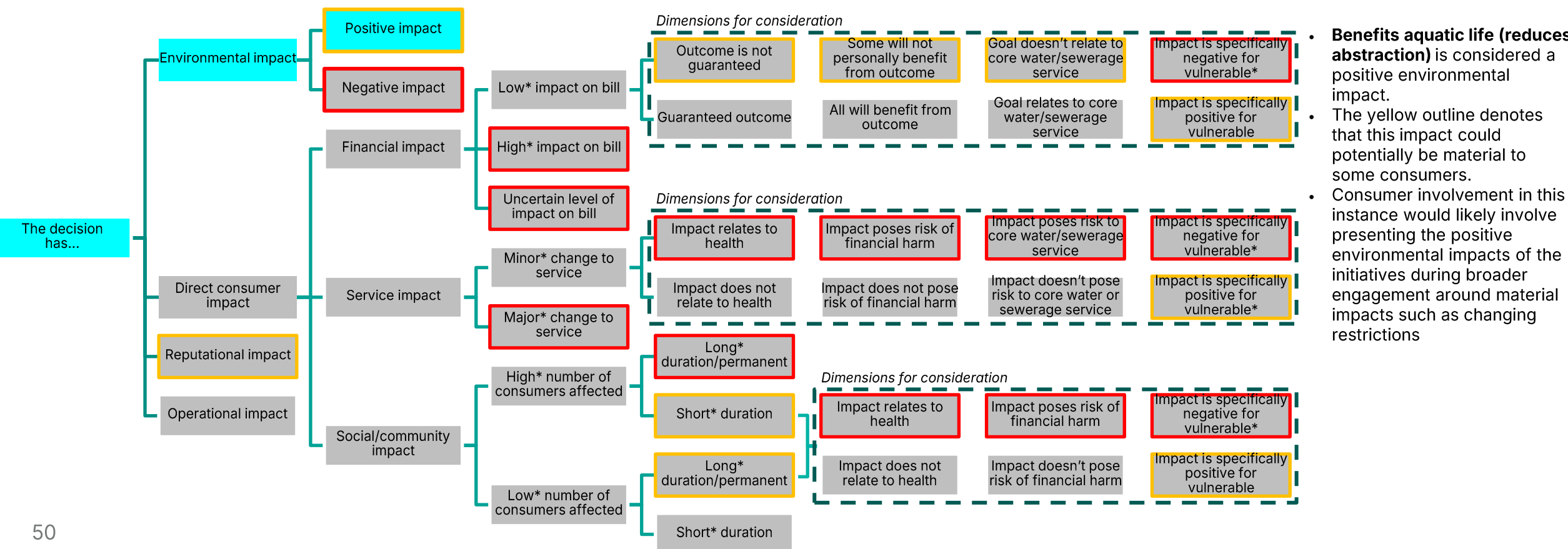
Decision steps for worked example

Elements that are ALWAYS MATERIAL

Elements that are SOMETIMES MATERIAL

M Impact IS material for worked example

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- impacts**
- Households/ businesses affected by restrictions

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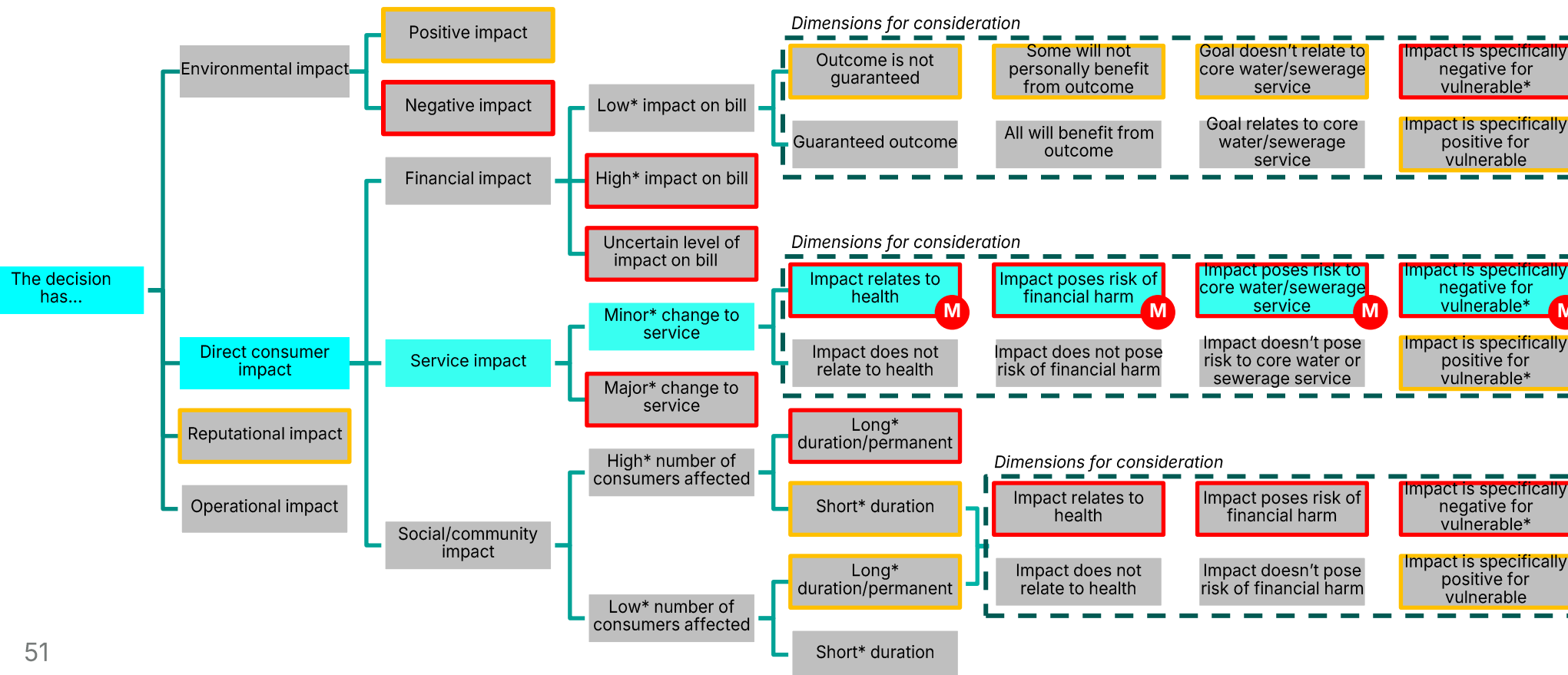
  Decision steps for worked example

  Elements that are ALWAYS MATERIAL

  Elements that are SOMETIMES MATERIAL

M Impact IS material for worked example

\* Subjective: definition to be determined



- Households/ businesses affected by restrictions** is considered a direct service impact.
- Although restrictions are unlikely to be implemented – and this therefore constitutes a ‘minor’ change in service – given water is essential to survival, this impact relates to health and is therefore material to consumers. In addition, it may pose risk of financial harm to businesses who cannot operate without water, poses a risk to the core water service and have a specific negative impact on vulnerable households, who may struggle to access other supplies.

# Navigator

View things differently