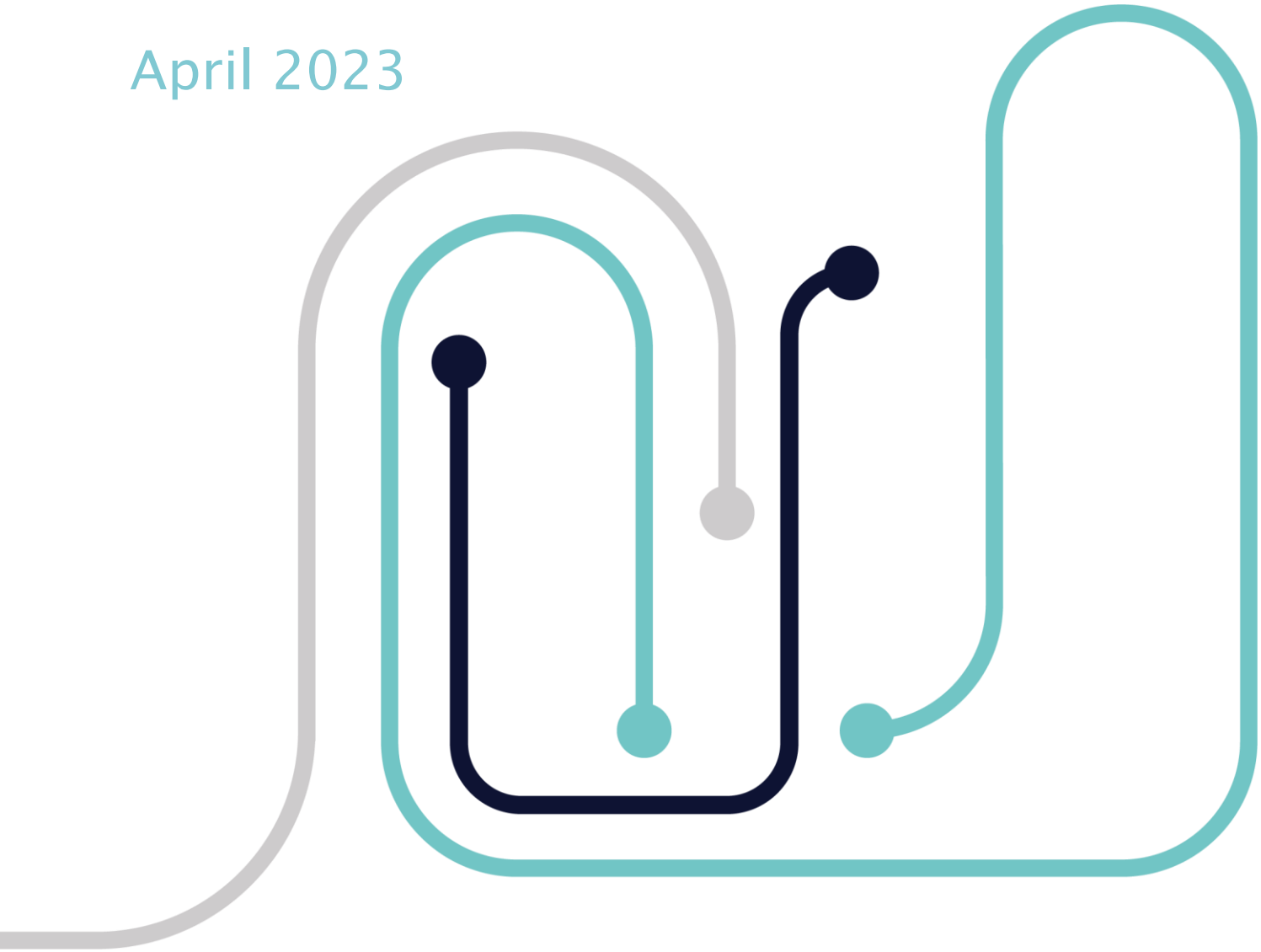
ICS

South West Water

Performance Commitments and Outcome Delivery Incentives:

Customer Research

April 2023



Contents

Contents 1
1 Executive Summary 2
1.1 Introduction 2
1.2 Research objectives 2
1.3 Approach 2
1.4 Key findings 3
2 Introduction 4
2.1 Project objectives 4
2.2 Report structure 4
3 Research Process 5
3.1 Research objectives 5
3.2 Research approach 5
3.3 Focus group organisation 6
3.4 Profile of customers engaged in the research 11
4 Key Findings 12
4.1 Performance Commitments 12
4.2 Outcome Delivery Incentives 18
4.3 Testing Options for Bespoke Performance Commitments 23
4.4 £50 Government contribution 43
5 Conclusions 44
Appendix A 45
Appendix B – Topic Guide 46
Appendix C – Showcards 51
Appendix D – Pre-reading 66
Assurance 73
Document Assurance 73
Version History 73
File Name 73

Version1.0; Issued to South West Water April 2023

1 Executive Summary

1.1 Introduction

A key part of the PR24 business planning process involves:

- Establishing and confirming the set of bespoke Performance Commitments (PCs) with which to articulate and measure the specific service improvements that local customers wish to see in the South West Water, Bristol Water and Bournemouth Water (SBB) business plans. These are over and above the common performance measures adopted by all companies.
- Developing a set of Outcome Delivery Incentives (ODIs) to provide the financial incentives to deliver committed service and go beyond these levels where it is economic to do so.

South West Water is in the process of developing how bespoke PCs should be defined across the South West Water, Bristol Water and Bournemouth Water regions and wishes this development to be informed by their customers views and preferences. It is also keen to understand customers views on ODIs, and in particular, how customers think that ODIs should be balanced across common and bespoke PCs.

1.2 Research objectives

The objectives of this research are to:

- Understand customer preferences on the relative importance of the list of options identified for bespoke PCs.
- Understand customer views on the options identified and the reasons underlying their level of support.
- Gather customer views on the allocation of PCs and financial incentives across common and bespoke PCs.

1.3 Approach

Household customers were engaged in six ninety minute online focus groups using the Visions Live platform (an online qualitative research host).

- Qualitative research was chosen as the most appropriate method to gather the range of customer views, to explore motivations, customer understanding of materials and language, and respondent engagement with allocation of bill variability/RORE allocations across measures.
- Online focus groups were chosen to enable discussion across company areas and to enable participation of a wider range of customers in differing circumstances compared to face to face groups. Polls and interactive on-screen exercises were used to increase engagement and promote discussion.
- Customers read a pre-reading pack to prepare them for the sessions.

In total, 49 participants were involved in the in-depth discussions. Groups involved a cross section of South West Water, Bristol Water and Bournemouth Water customers (including a range of age, socio-economic groups, and urban, rural, and coastal locations). South West Water customers were responsible for their water and sewerage bill and Bristol Water and Bournemouth Water customers were responsible for their water bills. Groups took place in March and April 2023.

1.4 Key findings

Summary of findings – Performance Commitments

Customers want a balanced package including both Common and Bespoke Performance Commitments that provides a focus on regional delivery of local customer priorities.

- Customers feel it is essential to have both common and bespoke performance commitments and ODIs
  - Customers can see value in standardised measures to compare companies (for core/basic services), but also want bespoke measures to reflect local priorities and needs.
- Customers think that targets (whether common or bespoke) should reflect regional differences and should not necessarily be the same across companies.
- Top customer priorities for additional bespoke PCs are options that support resilient infrastructure, drive improved water quality at the tap and protect the environment.
- Customers would like to see company activities focus on prevention of problems where possible and are open to new, non-traditional infrastructure ways of doing this, such as connected ponds and catchment management.
- Customers think it is more important to have bespoke targets in some areas (for example, resilient water supplies and lead pipe replacement), than for any of the other common water and customer service measures apart from drinking water quality.

Summary of findings - Outcome Delivery Incentives

Customers want to see a greater Emphasis on regional measures in the allocation of Outcome delivery incentives compared to Ofwat's suggested allocation.

- Customers have mixed views about ODIs in principle but are clear that they want ODIs to focus on bespoke regional commitments as much as the common PCs.
- Thinking about the allocation of ODIs across common and bespoke measures:
  - The majority of customers prefer an even split of ODIs across common and bespoke commitments (the highest bespoke allocation offered)
  - Some customers would prefer an even higher financial weighting for bespoke compared to common PCs.
- Customers are generally more supportive of penalties than payments for outperformance as they would like to see choice around bill increases for improved service, particularly with the current cost of living crisis, rather than automatic increases for outperformance.
- Some would prefer to see money reinvested to ensure the target is met in the future, rather than receive bill reductions for underperformance against target. This view is especially strong for environmental targets.

2 Introduction

A key part of the PR24 business planning process involves:

- Establishing and confirming the set of bespoke Performance Commitments (PCs) with which to articulate and measure the services planned to be delivered by South West Water, Bristol Water and Bournemouth Water.
- Developing a set of Outcome Delivery Incentives (ODIs) to provide the financial incentives to deliver committed service and go beyond these levels where it is economic to do so.

South West Water is in the process of developing how the Bespoke PCs should be defined across the South West Water, Bristol Water and Bournemouth Water (SBB) regions and wants to test these with customers. It is also keen to understand how customers perceive ODIs, and how they should be developed to best reflect customers' views on Bespoke PCs.

2.1 Project objectives

This programme of work has been designed to provide customer insight on bespoke Performance Commitments (PCs) and Outcome Delivery Incentives (ODIs).

The objectives of this research are to:

- Understand customer preferences on the relative importance of the list of options identified for bespoke PCs.
- Understand customer views on the options identified and the reasons underlying their level of support.
- Gather customer views on the allocation of PCs and financial incentives across common and bespoke PCs.

2.2 Report structure

This report presents the findings from online focus groups with domestic South West Water, Bristol Water and Bournemouth Water (SBB) customers on Performance Commitments (common set across all companies and bespoke defined at company level) and Outcome Delivery Incentives.

The report is structured as follows:

- Research Process (Section 3)
- Key Findings: Challenges and customer priorities (Section 4)
- Conclusions (Section 5)

The report is supported by the following appendices:

- Appendix A: Long Term Ambitions
- Appendix B: Topic Guide
- Appendix C: Showcards
- Appendix D: Pre-reading

3 Research Process

3.1 Research objectives

The objectives of this research are to:

- Understand customer preferences on the relative importance of the list of options identified for bespoke PCs
- Understand customer views on the options identified and the reasons underlying their level of support.
- Gather customer views on the allocation of PCs and financial incentives across common and bespoke PCs

3.2 Research approach

The research was implemented online with six separate groups of customers. The implementation plan and research materials (topic guide, showcards, etc.) were developed with input from South West Water.

Qualitative research was chosen as the most appropriate method to gather the range of customer views. Online focus groups were used to enable discussion across company areas and to enable participation of a wider range of customers in differing circumstances compared to face to face groups.

Given the breadth of the complexity of how performance commitments are set by Ofwat and at a company level, with corresponding outcome delivery incentives, a pre-reading exercise was developed to provide customers with background information. The pre-reading covered information on the water industry including the remit of water only and water and wastewater companies, information on the sector regulators, and an overview of performance commitments.

The topic guides for the sessions were carefully structured to cover the research objectives using an iterative approach. The initial two groups were carried out, then the indicative findings were reviewed. This allowed for refinement of the topic guides to focus the next four groups on a refined list of bespoke performance commitments and corresponding ODIs. Three groups had a water focus and three a wastewater focus. The research materials – including topic guides, show materials and pre-reading – are provided for reference in Appendices A to D.

Each group featured a mix of discussion topics and exercises, including voting. The structure of the sessions is set out below.

Table 3-1: Overview of topic guide

High level topic	Focus of understanding customer views
Setting the Scene (All groups)	An overview of South West Water, Bristol Water and Bournemouth Water areas and what a water and waste company does. This topic gauged customers' views on what makes good water company service, and what their current perspective is on how well they think their water company is performing.
Long Term Ambitions (Groups 1&2 only)	Discussion of SBB's five long-term ambitions which reflect the longer-term priorities and challenges.
Common performance commitments	Discussion of the common performance measures.

(All groups)	
Potential areas for bespoke performance commitments (All groups)	To understand customer views on each of the potential bespoke performance commitments and the importance of performance commitments, targets and ODIs in the area.
All potential bespoke PCs together (Groups 3&4 and 5&6)	To understand how customers prioritise the importance of different measures against each other.
A review of all the PCs together (Groups 1&2 and 5&6)	To gather input on which measures customers most and least prefer to see across the full range of common and potential bespoke PCs (for water or waste or all services, depending on group).
Bill impacts (Groups 3&4 and 5&6)	To gather customers views on ODIs - receiving bill reductions when their water company fails to meet their targets and paying an additional amount on their bill for over delivery.
RORE Allocation (Groups 3&4 and 5&6)	To understand customer preferences for allocation of ODI impact across common and bespoke PCs
GC50 (Groups 3&5 only)	To understand any impact of the presence or removal of the Government's£50 contribution to SWW bills on the topics discussed.
General feedback and close	To collect feedback on the sessions and provide a final opportunity for customer questions.

3.3 Focus group organisation

South West Water, Bristol Water and Bournemouth Water household customers were engaged in six online focus groups which took place in March and April 2023.

In total, 49 participants were involved in the in-depth discussions. Groups involved a cross section of customers from all three water companies (including a range of ages, socio-economic groups, and those who own their home and those that rent a property). All customers were responsible for their water and for South West Water customers, the sewerage bill.

The research was implemented online using the Visions Live platform (Figure 3.1:Visions Live online platform). The online groups support polls and interactive on-screen exercises, to increase engagement and promote discussion. Each focus group was approximately 90 minutes.

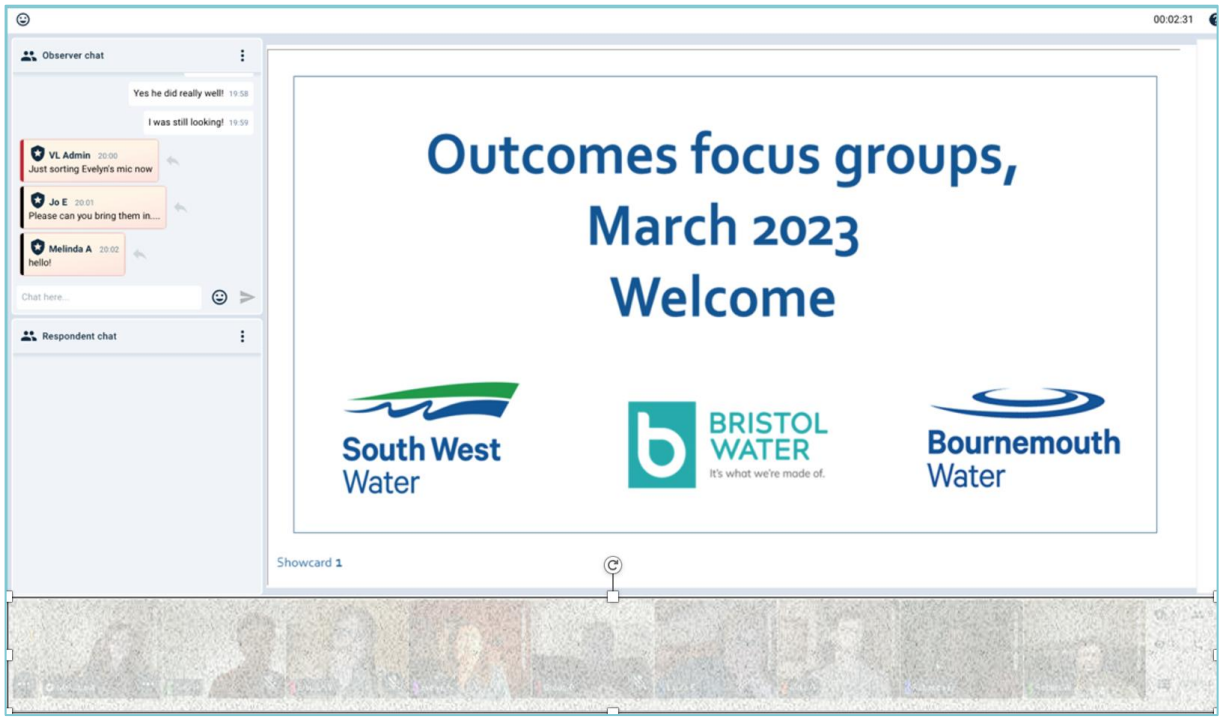


Figure 3.1:Visions Live online platform

The groups were implemented in the same way as conventional in-person focus groups, with the same approach to recruitment, participant discussions and stimuli, and the same number of participants per group. The online groups were conducted with onscreen video so that all the participants could see each other and the moderator(s). This allowed them to engage and interact more fully with each other and helped encourage conversation and discussion. It also allowed for the moderator(s) to manage the group more effectively by visually monitoring the level of engagement and encouraging those who are quieter to contribute.

Table 3-2: Session summary, shows how the recruitment was structured for each group.

Table 3-2: Session summary

Group	SEG	Age	Gender	Company area	Focus
Group 1	mixed	18-45	mixed	SWW only	Common PCs & potential areas for bespoke PCs
Group 2	mixed	18-45	mixed	SWW x3; Bristol x3; Bournemouth x3	Common PCs & potential areas for bespoke PCs
Group 3	mixed	46+	mixed	SWW only	Bespoke PCs – waste
Group 4	mixed	46+	mixed	SWW x3; Bristol x3; Bournemouth x3	Bespoke PCs – water
Group 5	mixed	mixed age	mixed	SWW only	Bespoke PCs & ODIs – waste
Group 6	mixed	mixed age	mixed	SWW x3; Bristol x3; Bournemouth x3	Bespoke PCs & ODIs – water

Groups 1&2 discussed views across water and wastewater services to provide a broad overview which was followed by groups 3 to 6 focusing on either water or wastewater in more depth. For the purpose of this report, we refer to the groups as Wastewater Focus Groups and Water Focus Groups.

As questions were presented, participants were invited to give their direct feedback to questions either verbally, or in the participant chat, as well as discuss amongst themselves. All sessions made use of online voting, where participants are asked to rank or state a preference onto an online showcard as a way of summarising customer views and drawing out discussion.

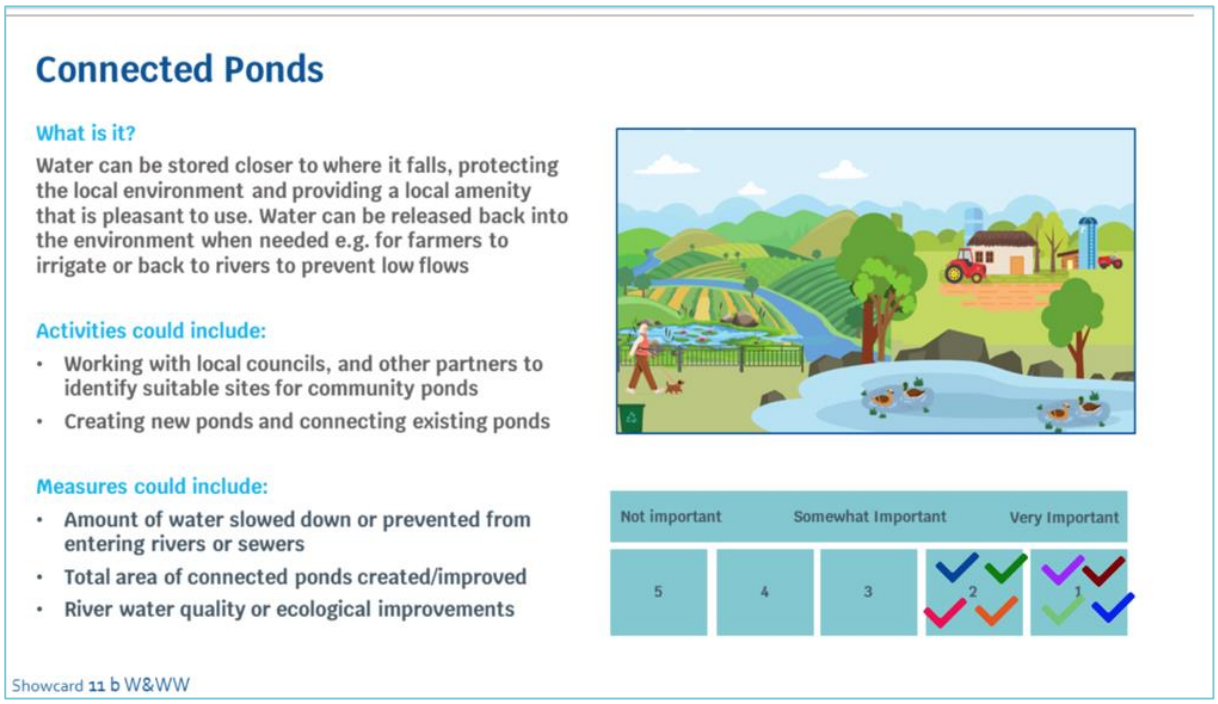


Figure 3.2 Example showcard with respondent voting

All the groups were organised and run by ICS moderators – who are members of the Market Research Society, and thereby adhere to and follow industry standards. The moderators ensure discussions are independent and unbiased: both aspects are extremely important in ensuring a discussion where everyone's views are valid and there are no right or wrong answers.

Where participants raised questions that the moderators had not been briefed on, observers were able to provide text answers and comments via the private observer chat – allowing for live client feedback during the sessions without disrupting the group discussion. Similarly, group participants were able to use a chat function within Visions Live. This was used extensively within the groups for participants to share their views.

The functionality also gave them the opportunity to 'raise their hand' to speak, to address any technical problems, and add comments while other participants were speaking (to avoid 'talking over' others).

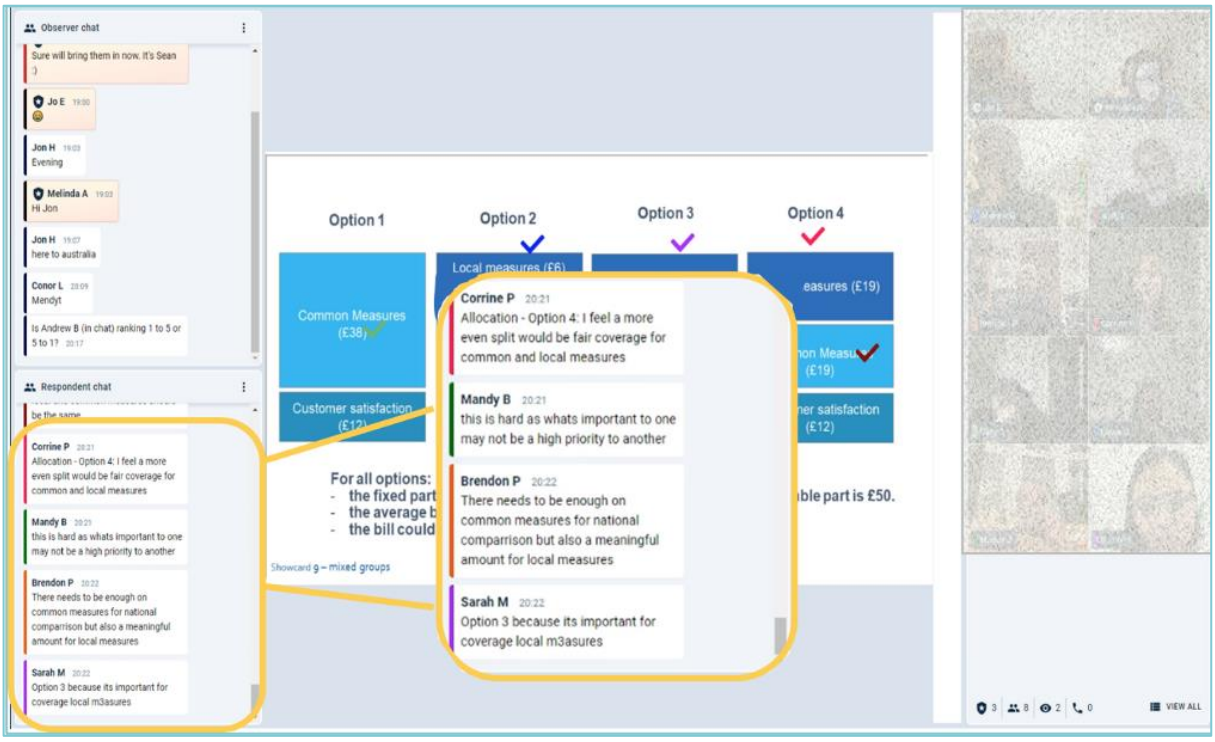


Figure 3.3: Use of the respondent chat on Visions Live

High levels of engagement were demonstrated by participants positively contributing. The voting exercises and visual prompts worked well and enlivened the sessions, giving participants the opportunity to interact onscreen, adding breaks and conclusions to more detailed discussions.

At the end of the session, respondents were asked to vote on their experience as a focus group participant. When asked about the background reading, the majority of customers give positive feedback on the level of complexity and length of the materials stating that it is easy to understand and about the right length. The majority of customers also find it interesting with only a minority of customers finding the material difficult, too long and boring.

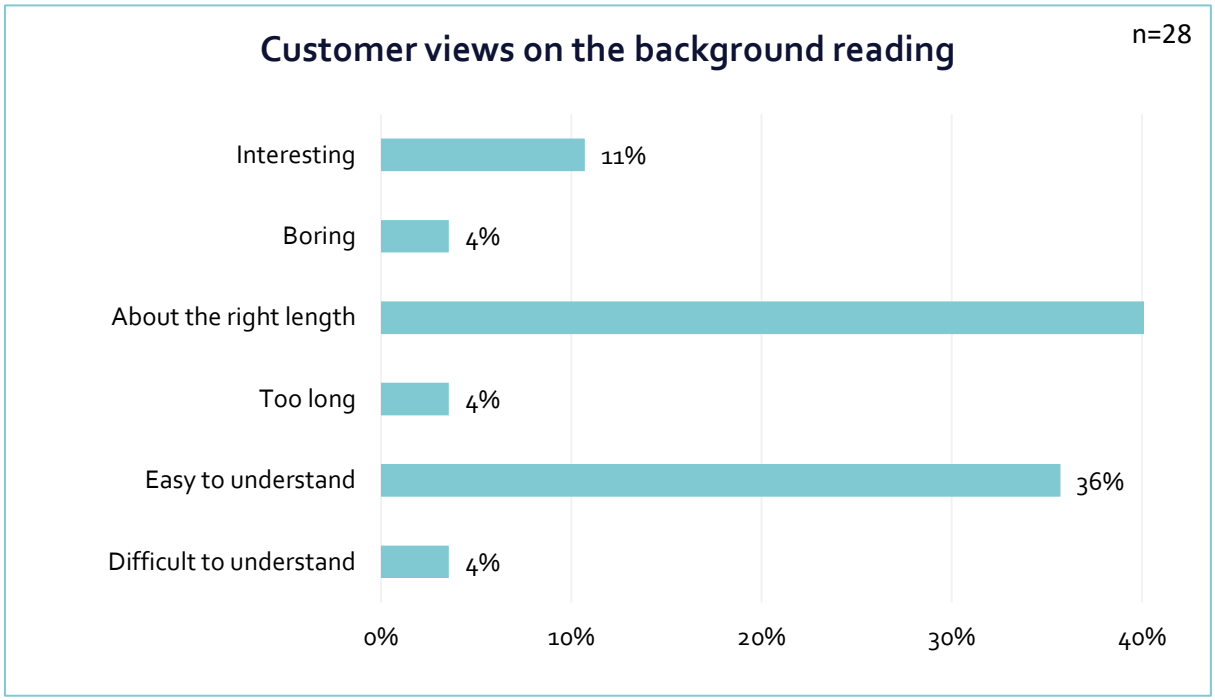


Figure 3.4Customer views on background reading

The majority of customers also agree they are satisfied with the focus group session and think that the discussion was interesting, informative, and educational. Feedback from the 1 participant who disagreed that they were satisfied was that they wanted further information on the specific costs of different activities. It was explained that the purpose of this research was to understand broader views and priorities that would enable SWW to focus development of their plans, particularly bespoke PCs and ODIs to reflect customer priorities and that other customers were being engaged on the overall plan options in more detail through the Acceptability and affordability research.

Figure 3.5 Customer satisfaction with focus group session

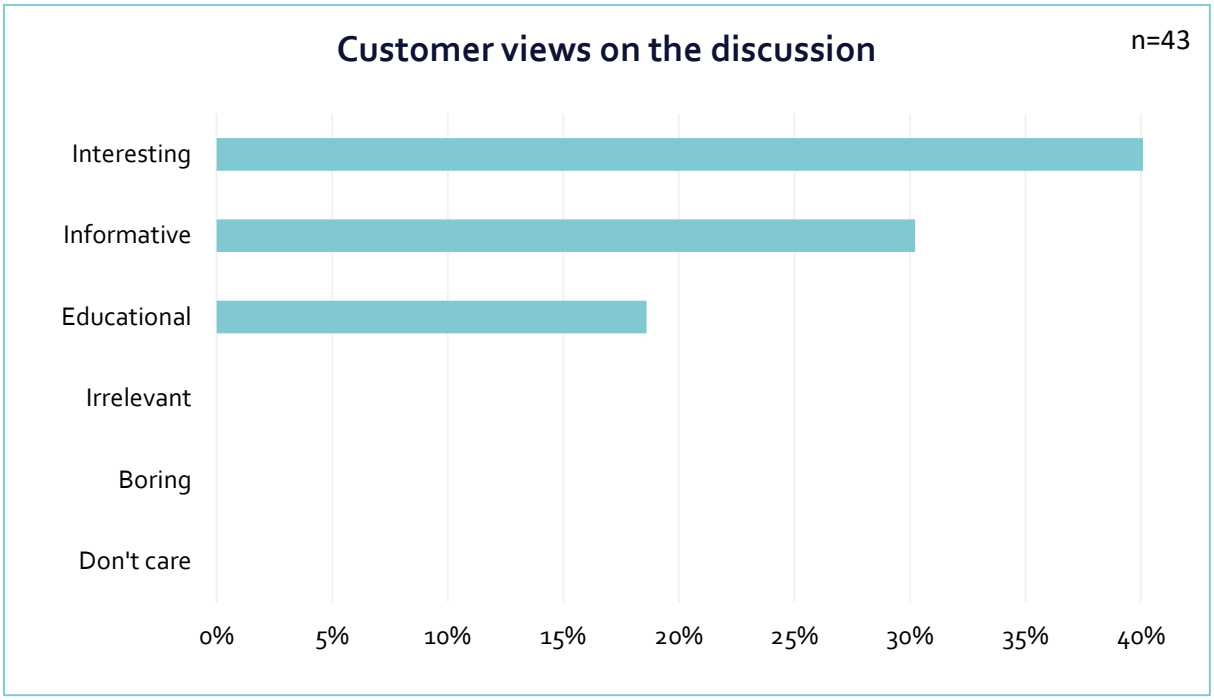


Figure 3.6 Customer views on the discussion

3.4 Profile of customers engaged in the research

In total 49 customers were engaged across six focus groups. These were customers of South West Water, Bristol Water and Bournemouth Water. The groups were split by age group and each group represented a mix of SEGs.

The groups were structured to include a range of ages and socio-economic groups (SEG)[1] to capture multiple viewpoints. The groups included those with and without meters, as well as those with long-term health issues and disabilities.

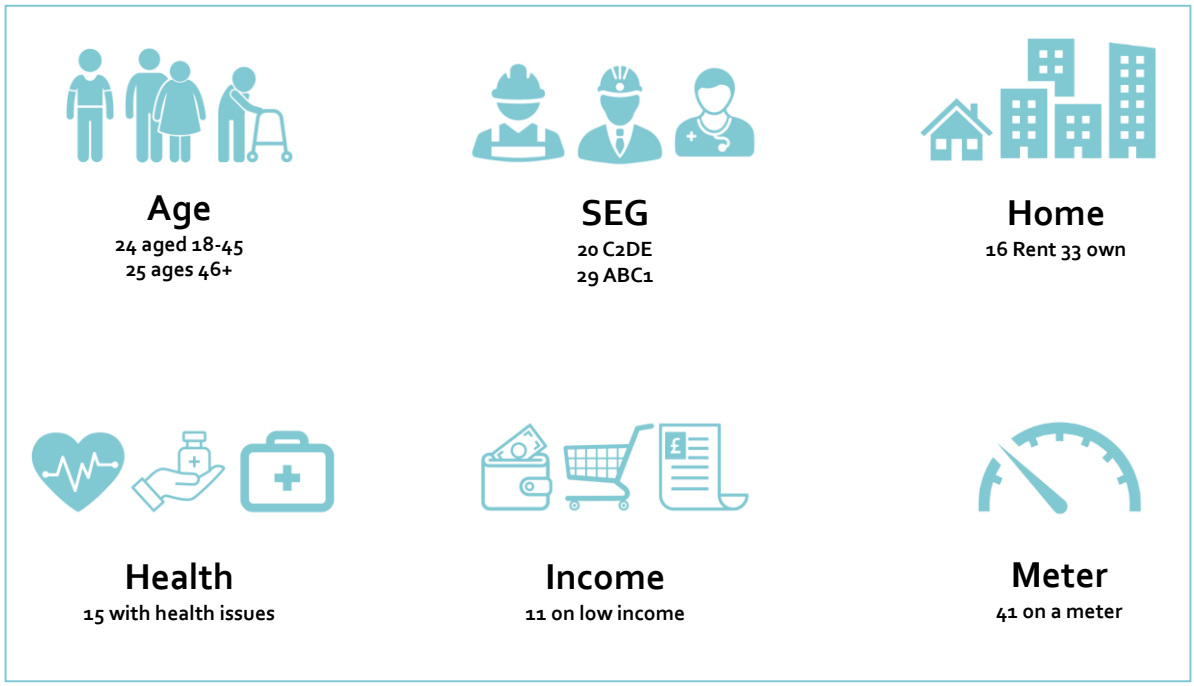


Figure 3.7: Profile of participants

The sample includes:

- 24 respondents aged 18-45, 25 respondents aged 46+
- 15 respondents who identify as having a health issue.
- 41 participants who are metered and 8 who are unmetered.
- 20 participants with children living at home.
- 11 participants on low income
- 15 respondents who rent their property and 33 who own their own home.

[1] The Office of National Statistics (ONS) divides households into different groupings, based on the occupation of the main income earner, known as SEGs. Given the correlation between occupation and income using these to segment customers in market research ensures a diverse range of households by income are considered. The groups are: A - Higher managerial, administrative, professional; B - Intermediate managerial, administrative, professional; C1- Supervisory, clerical, junior managerial; C2 - Skilled manual workers; D- Semi-skilled and unskilled manual workers; E - Casual labourers and unemployed.

4 Key Findings

4.1 Performance Commitments

Summary of findings

Customers want a balanced package including both Common and Bespoke Performance Commitments that provides a focus on regional delivery of local customer priorities.

- Customers feel it is essential to have both common and bespoke performance commitments and ODIs
  - Customers can see value in standardised measures to compare companies (for core/basic services), but also want bespoke measures to reflect local priorities and needs.
- Customers think that targets (whether common or bespoke) should reflect regional differences and should not necessarily be the same across companies.
- Top customer priorities for additional bespoke PCs are options that support resilient infrastructure, drive improved water quality at the tap and protect the environment.
- Customers would like to see company activities focus on prevention of problems where possible and are open to new, non-traditional infrastructure ways of doing this, such as connected ponds and catchment management.
- Customers think it is more important to have bespoke targets in some areas (for example, resilient water supplies and lead pipe replacement), than for any of the other common water and customer service measures apart from drinking water quality.

DEFINING PERFORMANCE COMMITMENTS AND FINANCIAL INCENTIVES

Areas for PC focus:

- Customers view reliable water resources, drinking water quality and the environment as important for company commitments.
- Customer satisfaction is viewed as lower importance as it is felt that this follows from good service elsewhere.

In more detail:

The majority of customers consider good service from their water company is not only the provision of clean drinking water and sewerage services at an affordable price, but also that this is provided reliably, with minimal disruption. Most customers also believe good water company services is to ensure no adverse environmental damage.

"They provide us with clean drinking water, which is their main priority I guess, but it goes further than that in they have to give good effluent back into the environment."

Male, ABC1, 46+, South West Water

"To provide good fresh quality water out of the tap, and to look after the sewage, and treat it so it's not a danger to the environment or people or animals."

Male, ABC1, 18-45, South West Water

"Think it is really important they go above and above – they need to care for the environment and the planet."

Female, ABC1, 18-45, South West Water

"It's the continuity of supply, not only of drinking water but the reliability of being able to turn you tap on and we all expect something to come out, … it's just having an interruption in that supply, how that's dealt with, in terms of its efficiency in getting the supply back online"

Male, C2DE, 46+, South West Water

Customers regard Performance Commitments that protect infrastructure and the environment as the most important. Overall, the highest priority Performance Commitments are:

- For water - water quality (CRI, common), resilient water supplies (bespoke) and lead pipe replacement (bespoke)
- For Wastewater – environmental metrics - bathing water, pollution incidents, river water quality and storm overflows (all common)

Resilient Water Supplies, Preventing Rainwater from Getting into Sewers, lead pipe replacement and Catchment Management are the top four most highly rated options for bespoke PCs when considered against other bespoke PCs.

Customers would like to see company activities focus on prevention of problems where possible and are open to their companies developing new, non-traditional infrastructure ways of doing this, such as connected ponds and catchment management.

"it's the most important thing having good infrastructure; having sewers that can take the capacity, not only that we normally have, but also realising that we live in a temperate climate, we get rain, and we need to make sure the waste water plants – they provide drinking water as well, and they need to have big capacity."

Male, ABC1, 18-45, South West Water

"With a better infrastructure in place, there would be less issues to tackle in the future."

Male, ABC1, 18-45, South West Water

Prevention is always better than the cure and working with the people causing the pollution is going to make it better, … it's going to cost us less as consumers, to treat the issues before they happen, be better for the water company and better for all of our health and better for the health of our rivers.

Female, ABC1, 46+, Bristol Water

Customers don't like to see overlap in the set of Performance Commitments (e.g., customer satisfaction can be generated by good service in other areas), and this is often a reason behind some PCs being viewed as less important than others. Customers also feel that good customer service should be 'standard' and focus should be on delivering resilient infrastructure and reliable services with minimal disruption to customers or the environment.

Customers have differing motivations underlying their views: some customers prefer PCs to focus on basic services – feeling that measures around the 'how' service is delivered are covered by Environmental, Social and Governance reporting; whereas for others, minimising the environmental impact is a driving force behind all their views.

"The water companies should be trying to make as little impact as possible on the environment."

Male, ABC1, 18-45, South West Water

"I'd rather they put the onus on prioritising what needs to be done rather than wasting resources and comforting Mrs Wiggins about her wonky tap, when there are huge burst mains elsewhere. I'm not saying it isn't important – customer service – I just think it depends on the problem, really, the importance of it."

Female, ABC1, 24-45, South West Water

Version1.0; Issued to South West Water April 2023

BALANCE OF BESPOKE AND COMMON PERFORMANCE COMMITMENTS

Customers want both common and bespoke measures

Customers support the use of the common measures. The measures themselves are mostly viewed as important by customers.

Customers can see value in standardised measures to ensure minimum common standards and to be able to compare companies (for core/basic services).

> "It can only be a good thing, that the same standards and measures are applied across all water companies, so they all have to perform to the same standards and controls. "
>
> **Female, ABC1, 46+, Bristol Water**

> "It should be for all companies. I do appreciate that some of those commitments may be more weighted depending on different areas of the country, for example, how important is the standard of bathing water if you're living in London?."
>
> **Female, C2DE, 18-45, South West Water**

> "Standardised sounds good, should be a benchmark for all, however, as previously mentioned SWW has largest coastal area which obviously presents its own difficulties. I do like the idea but is it realistic? Each water body has a different level of land so is it attainable to have a benchmark? While I like the idea that everyone is striving for the same, is that possible?"
>
> **Female, ABC1, 18-45, South West Water**

Customers also want bespoke local measures and performance commitments to reflect regional differences, priorities, and needs. Customers see a requirement for bespoke measures alongside the common ones – for customers a mix of both common and bespoke performance commitments is essential.

Version1.0; Issued to South West Water April 2023

"Standardised is going to be difficult when you take into consideration regional differences. It should be standardised, but there are going to have to be some kind of clauses for coastal areas or high-risk flooding areas."

Male, ABC1, 18-45, South West Water

"I think obviously where you have inland areas which don't have beaches, don't have certain other ecosystems that we have down here in Cornwall, there needs to be different measures to protect coastal areas compared to inland."

Male, C2DE, 18-45, South West Water

"Looking at the commitments .... I think local sounds more sensible than national, to be honest."

Male, ABC1, 18-45, South West Water

"I don't really understand why you would have it one way or the other. You need general standards .... but there's no point of doing it if it's not specific to the needs of the location and needs of the community you're in."

Male, C2DE, 18-45, South West Water

Customers think that measures & targets should reflect local conditions and think that targets (whether common or bespoke) should reflect regional differences and should not necessarily be the same across companies. Rather, they think it is important that targets should reflect regional differences – examples frequently given are of coastal as compared to inland areas and the pressures of large increases in population sizes from tourism over the summer.

"it's good to have a standard set across the country so you can compare different companies, but you need to have local variants, so you have a set for coastal, and a set for inner city and so forth. That would make a lot of sense."

Male, C2DE, 46+, South West Water

"From an overview of what people are saying there from Bournemouth and Bristol, there are issues on different areas, so should they be focusing on different issues in different areas"

Female, C2DE, 26-45, South West Water

"Need to be a bit more bespoke about the regions, taking into account geology and all sorts of other factors which make it more difficult in one area than another."

Male, ABC1, 46+, South West Water

"In the summer our population grows by several million which means everyone is using more water"

Female, C2DE, 46+, South West Water

"It's also a tourist area which will need more water at different times of the year"

Female, ABC1, 46+, Bournemouth Water

4.2 Outcome Delivery Incentives

Summary of findings - Outcome Delivery Incentives

Customers want to see a greater Emphasis on regional measures in the allocation of Outcome delivery incentives compared to Ofwat's suggested allocation.

- Customers have mixed views about ODIs in principle but are clear that they want ODIs to focus on bespoke regional commitments as much as the common PCs.
- Thinking about the allocation of ODIs across common and bespoke measures:
  - The majority of customers prefer an even split of ODIs across common and bespoke commitments (the highest bespoke allocation offered)
  - Some customers would prefer an even higher financial weighting for bespoke compared to common PCs.
- Customers are generally more supportive of penalties than payments for outperformance as they would like to see choice around bill increases for improved service, particularly with the current cost of living crisis, rather than automatic increases for outperformance.
- Some would prefer to see money reinvested to ensure the target is met in the future, rather than receive bill reductions for underperformance against target. This view is especially strong for environmental targets.

INCENTIVISING PERFORMANCE AGAINST TARGETS – VIEWS ON FINANCIAL INCENTIVES IN PRINCIPLE

Customers support monitoring of performance commitments and targets. They would like their water company to be proactive and are positive about meeting targets that reflect what customers want in their region. They want incentives to encourage companies to be flexible to changing information. Customers also like being able to make a comparison across water companies and feel that incentives that do this will encourage companies to perform better.

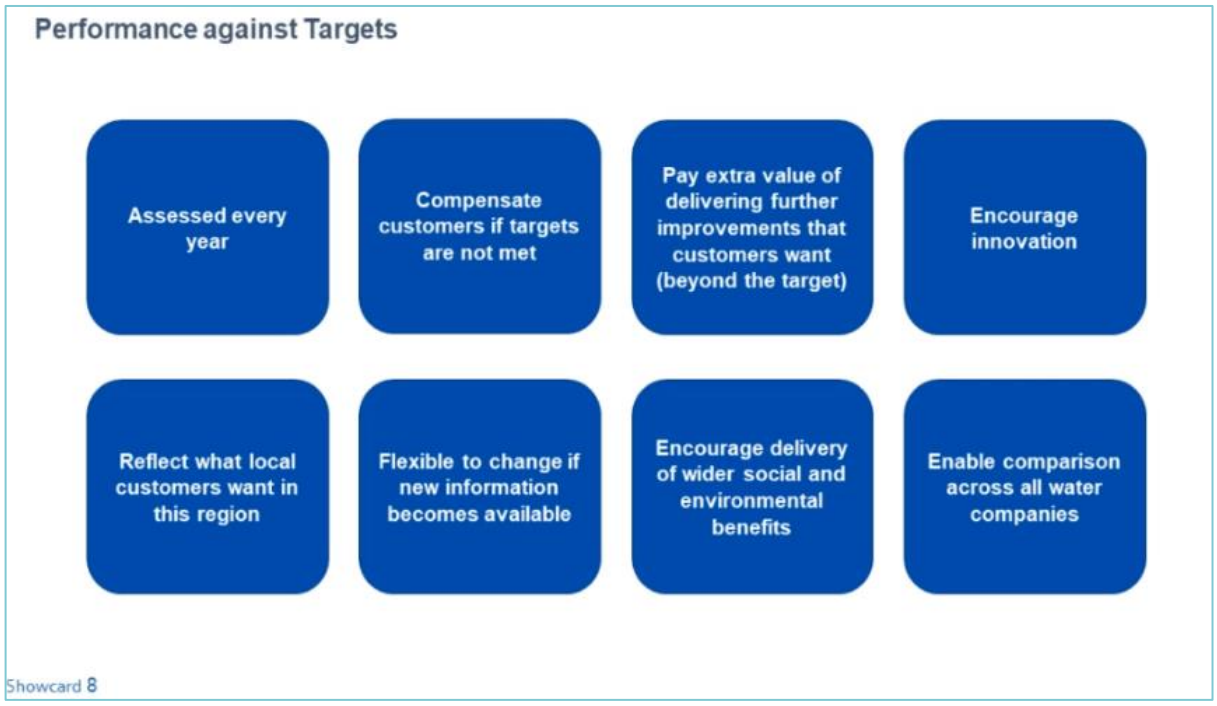


Figure 4.1 Performance against targets

Customers make thoughtful suggestions about incentive structure. Customers want incentives to drive performance both every year, over the five year period, and into the longer term. Some customers question if annual assessment is enough as they want their water company to be dynamic when addressing issues.

Some customers feel that incentives should relate to overall performance as well as performance on individual measures. Some customers question the appropriateness of outperformance payments in one area if targets have been missed in other areas.

Customers like incentives that encourage proactivity and working together across organisations and water companies. Overall, customers like to see incentives that:

- Encourage communication between companies and organisations to promote more innovative processes.
- Reflect what's important to customers.

> "the bit I liked was where it said flexible to change if new information becomes available. It doesn't say that will happen straightaway, so just presuming a change happens and they implement whatever it might be, that sounds quite good."
>
> **Female, ABC1, 18-45, Bristol Water**

> "Maybe make sure they do well every 5 years in a row rather than every 1 year in a row"
>
> **46+, Male, South West Water**

> "If they meet their targets on certain but failed in another points then it levels itself out. But to me if they failed in some points, they failed"
>
> **46+, Male, South West Water**

VIEWS ON BILL VARIABILITY IN PRINCIPLE

Customers have mixed views on bill impacts in relation to ODIs. Customers tend to have a negative initial response, which is often followed by some thawing once the issues are discussed in more detail. Customers are relatively positive about receiving compensation for underperformance, although some question if the money would be better reinvested instead. Although relatively supportive, there are mixed views about receiving compensation for under-delivery for reasons such as:

- Some customers would rather the money was reinvested to ensure the target is met in the future, especially environmental targets.
- Others believe that an asymmetric incentives structure is more suitable, preferring greater penalties for companies that underperform.
- There is a feeling from some customers that compensation for underperformance may result in standards falling due to lack of funds to make improvements.

Version1.0; Issued to South West Water April 2023

Customers are less supportive of bill increases for over performance. Concerns include:

- Some feeling that they should have a choice whether to overpay for good/ better service.
- Some believing a company should always be trying to go above and beyond.
- Some customers are concerned about bills for vulnerable customers in the cost of living crisis.
- Others feel there shouldn't be a reward for doing what is expected.

Customers understand that ODIs are an Ofwat initiative and are happy to discuss and consider the allocation of outperformance payments across common and bespoke PCs regardless of their level of support in principle.

> "I think that most people aren't going to feel comfortable about paying the company extra who has gone above and beyond unless it's for something demonstrable. If Bristol Water said, we've smashed our target to improve river quality, how do you feel as a customer about paying a bit extra? I think that's a different question."
>
> **Female, ABC1, 46+, Bristol Water**

> "If I do well at work then there isn't an extra £50 at the end of the week because I did well"
>
> **Male, 46+, South West Water**

> "if you go for a meal at the restaurant ..,. and feel the service is great, then we have the opportunity - but it's our choice – to pay extra by tipping the company or individual servers. That system is a lot more transparent"
>
> **Female, ABC1, 18-45, Bristol Water**

> "Money is money, regardless of the amount, but I agree, £5 reduction really is not going to have such an impact on an individual basis; is it better reinvested in the company so to ensure that next year it's not going to happen? That's my opinion."
>
> **Female, C2DE, 18-45, South West Water**

ALLOCATION OF ODI BILL IMPACTS ACROSS MEASURES

Customers discussed the allocation of ODI bill variability across three types of measures – customers satisfaction, common and bespoke. Customers were provided with four scenarios to prompt discussion – these held the bill impact of customer satisfaction constant and varied the share of the overall bill impact across common and bespoke measures.

Customers strongly prefer ODIs to focus on regional commitments. Customers were asked to choose their preferred option from four options for allocating £38 of ODI bill variability (see Figure 4.2) across common (national) PCs and bespoke (regional) PCs that showed increasing emphasis on regional weighting in the bill. The majority of customers selected option four, voting for an even split between

common and bespoke commitments. Additionally unprompted, some customers said they would prefer an even higher financial weighting for bespoke than common PCs indicating the options could go further. A small minority of customers chose option 1 as they would prefer a standard approach for easier comparison across companies.

> "I'd like there to have been an option 5. I think it should be more on the local measures than the common measures. The common measures I would have thought would have been more of a guideline throughout for all the different water companies in the country. But I think it's more important for local measures."
>
> **Male, C2DE, 46+, Bristol Water**
>
> There should be a fifth optional as well, really, which would be option 2, but regional and national the other way around."
>
> **Male, ABC1, 46+, South West Water**

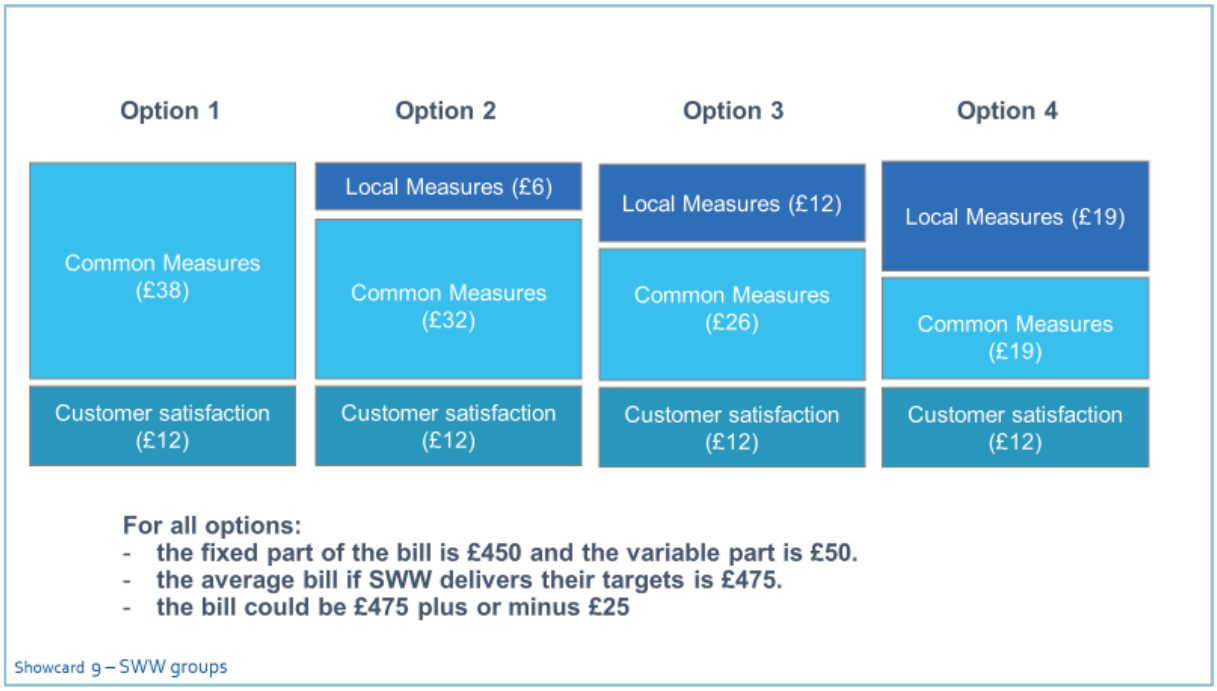


Figure 4.2 Options for bill allocation

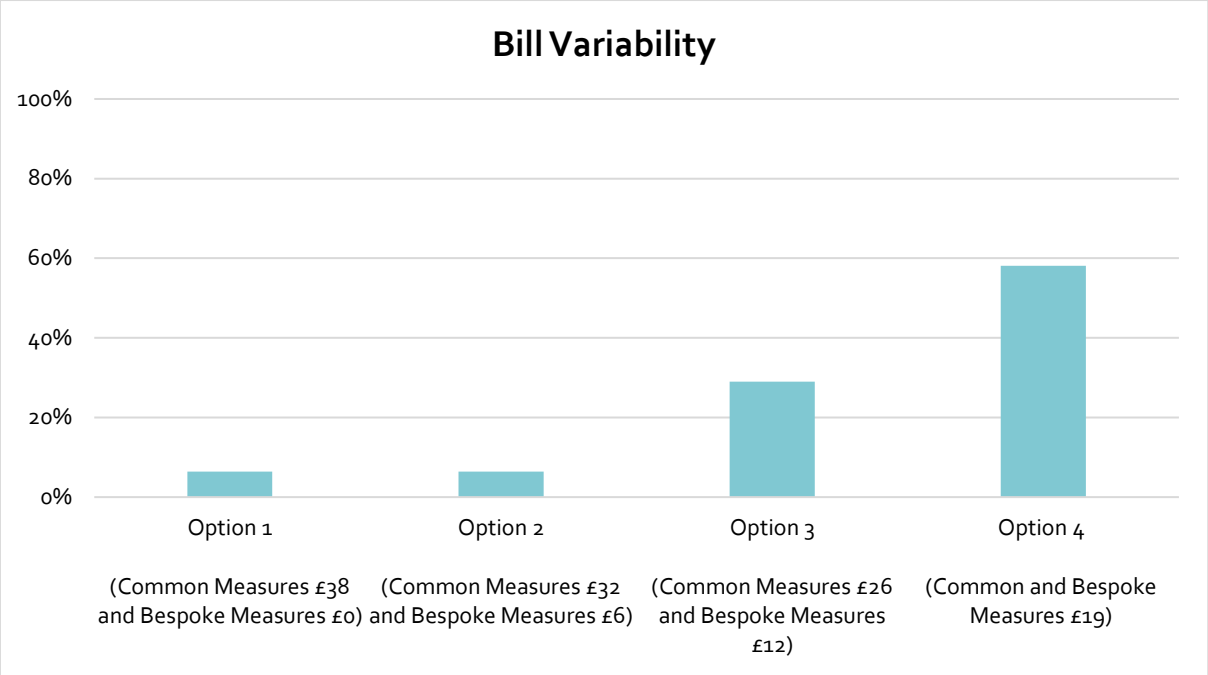


Figure 4.2 Customers' bill variability preferences

"It makes sense, but it's wrong. If I do well at work, they don't go, here's an extra £50 for you because you did well; you just get a pat on the back. It's just doing your job, which is what you're paying to do."

Male, ABC1, 46+, South West Water

"Surely if they failed in some points, they failed. If it succeeded in others, great, well done, but they failed in others."

Male, ABC1, 46+, South West Water

"I really liked the reward for 'saving' water for Cornish reservoirs recently. There was local advertising that if residents of Cornwall were able to collectively restore an adequate level of Collisford lake, if we could bring it up to the required level, everyone would get a financial reward. And I think it was like £30 or £40 or so, and that was nice."

Female, ABC1, 18-45, South West Water

4.3 Testing Options for Bespoke Performance Commitments

SUMMARY

Top priorities for customers are Performance Commitments that support resilient infrastructure and protect the environment

- Customers view all bespoke PC options as important to have apart from smart meters.
- Customers prefer preventative activities and measures.
- Customers think it is important to have targets for bespoke PCs, both for 2025-2030 and into the longer term.

The importance of the bespoke PC options to customers is summarised in Figure 4.3.

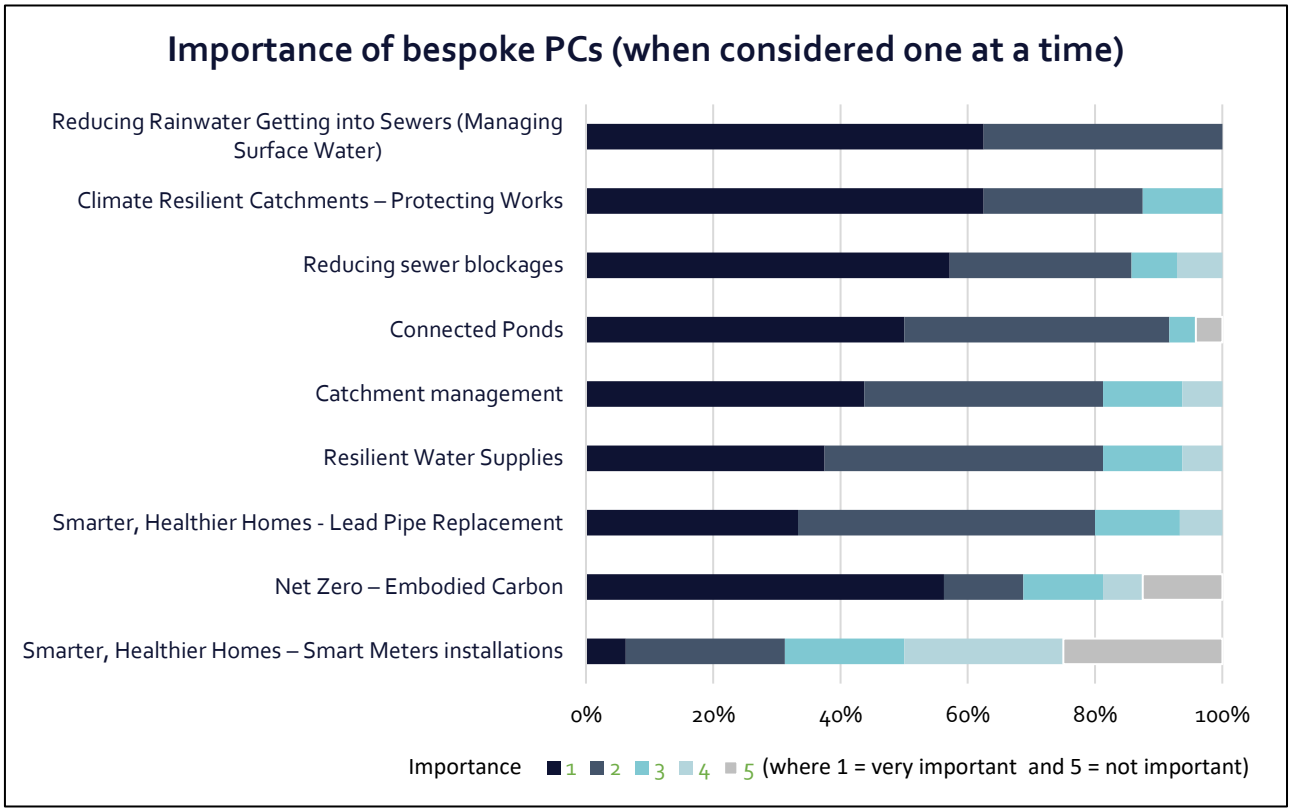


Figure 4.3 The importance of bespoke PCs considered one at a time

Having considered the options for bespoke PCs one at a time, customers then ranked them against each other. The ranking results are provided in Figure 4.4.

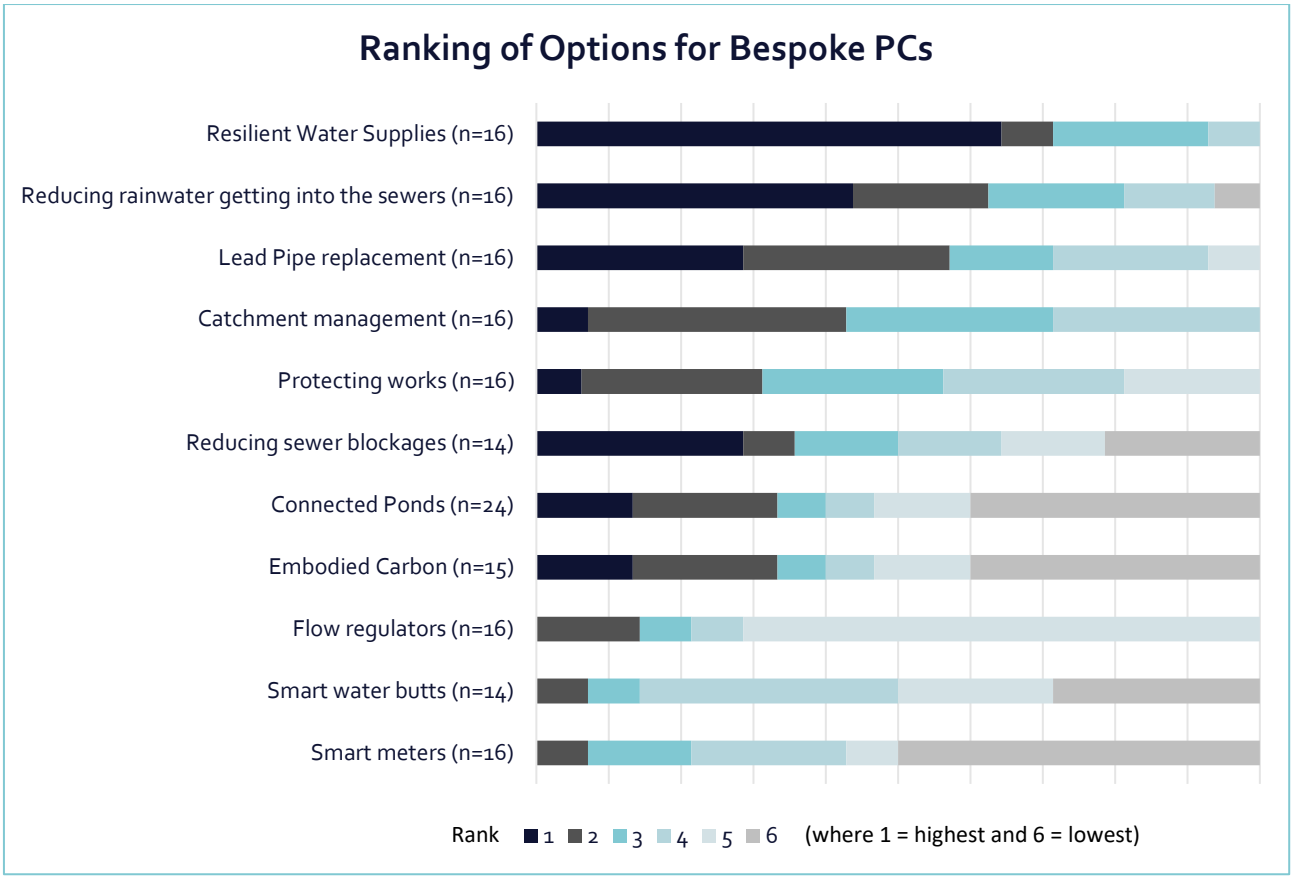


Figure 4.4 Overall ranking of bespoke PCs

The top priorities for bespoke PCs overall are:

- Resilient water supplies (WAFU/reducing single source supplies)
- Managing surface water to reduce rainwater getting into the sewers
- Lead pipe replacement

RESILIENT WATER SUPPLIES

Summary

- Resilient Water Supplies were discussed in the Water Focus Group. The majority of customers chose to tick the highest importance levels (one or two). Overall, resilient water supplies is customers' top priority for a bespoke PC aligning with the high importance given to 'healthy resilient catchments' throughout.

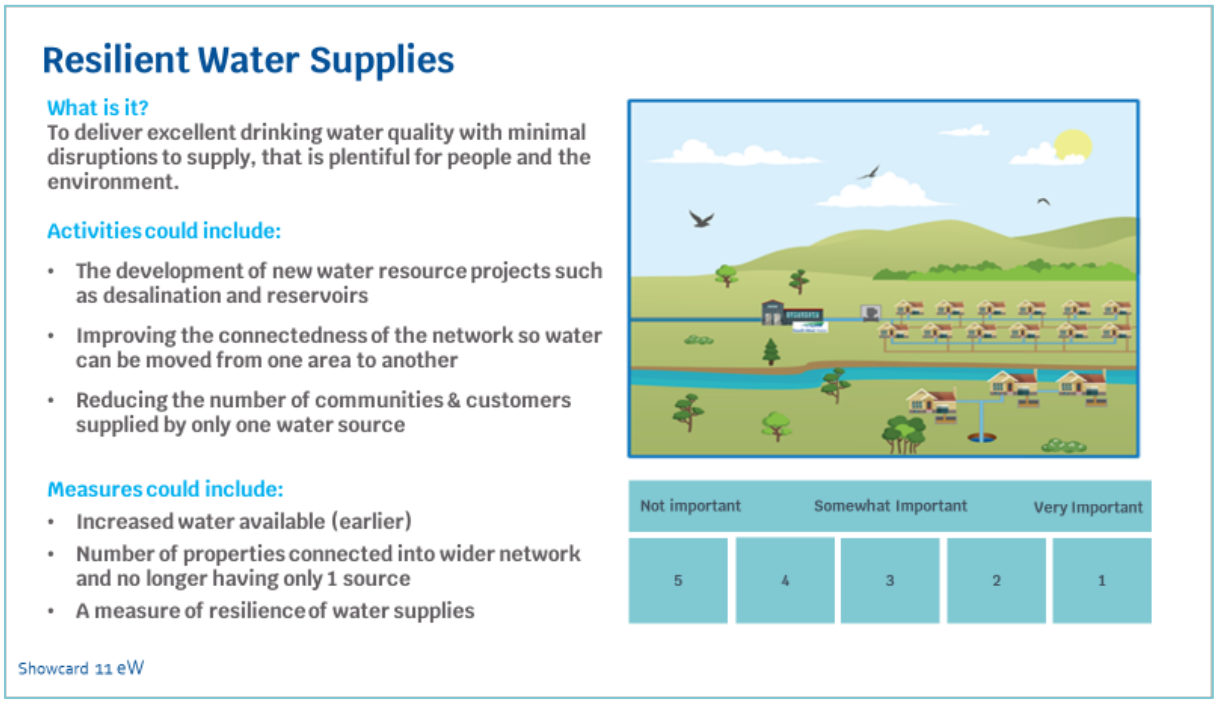


Figure 4.5 Information on Resilient Water Supplies

In more detail

When discussed in detail in the water only groups, customers give high importance to resilient water supplies. Customers feel this is a very important area for a bespoke PC to ensure a consistent water supply and reliable drinking water supplies and point out it is a national issue that should have a big agenda. When probed further they agree there should be a target in this area that should be set nationally rather than at a regional level, which is the only bespoke PC they think should be targeted in this way. Respondents in all groups mention the effect climate change could have on water supplies and that this will become more of an issue over time with extremes of wet and dry weather. Customers also talk about the balance of water supply and suggest interconnected reservoirs and more supply linkages nationally to help with demand.

A small minority don't consider resilient water supplies to be very important as they are sceptical about how possible it would be to reduce the number of communities and customers supplied by one source because of the pressures of an increasing population.

When considered alongside the other water bespoke PCs, resilient water supplies are the top priority for customers, discussions to probe and understand the reasons for customers to choose high importance show that:

- Customers recognise that a resilient water supply will be costly but deem it a high priority to ensure a consistent supply of water.
- Customers acknowledge the need for resilient water supplies due to the impact of climate change that will increase over time.

- Some customers mentioned working with other companies nationally to ensure supply, reducing the reliance on one water source by interconnecting reservoirs and creating supply linkages.
- Customers think that this is an issue of national importance and all companies should have nationally consistent targets, reflecting local needs.

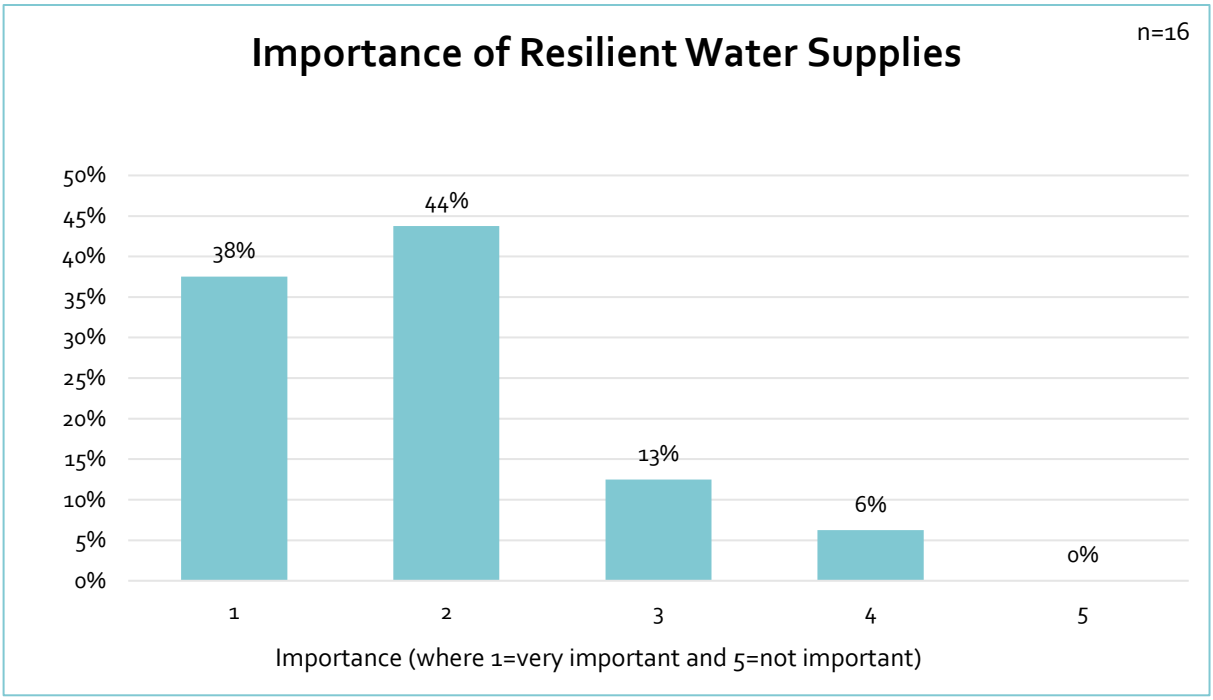


Figure 4.6 Importance of resilient water supplies

"Increasing water supplies is important but in a way that creates minimum disruption to nature."

Female, C2DE, 46+, South West Water

"Water is a precious resource and is going to become ever more important with climate change."

Female, ABC1, 46+, Bristol Water

"I believe resilient water supplies is a national issue, crossing the boundaries of water companies, and it's one of those areas where water companies need to work together to develop supply linkages"

Male, ABC1, 46+, South West Water

REDUCING RAINWATER GETTING INTO SEWERS

Summary

This performance commitment is the highest priority for wastewater groups and the second highest overall as customers attach high importance to reducing storm overflows, considering it vital to reduce sewage getting into rivers and seas.

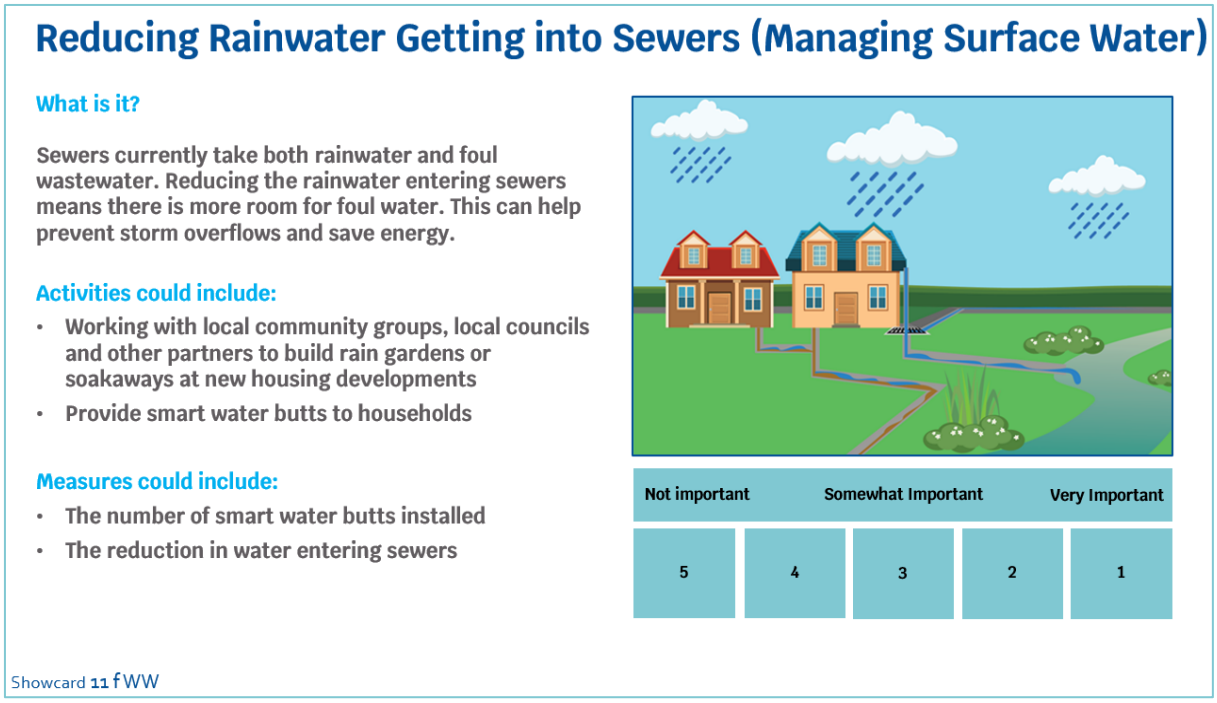


Figure 4.7 Information on Reducing Rainwater Getting into Sewers (Managing Surface Water)

In more detail

Customers say that they support a bespoke PC in this area and that they would welcome a smart water butt initiative, with some awareness of water butts and soakaways being installed in new housing developments. They also want to see greater advertisement as to what water saving devices are available and agree South West Water could always do more to inform customers on where to look and how to obtain them. Customers say that South West Water always respond to planning applications with advice on soakaways, run off and water butts and this was seen as positive.

There is general agreement that prevention is better than cure to prevent the network from becoming overloaded. Customers are supportive of small actions at a community level, with a caveat that South West Water takes responsibility for the big things that are needed such as investment in infrastructure.

Having stated they prefer more investment into the infrastructure and want a mixture of big actions with community-focussed schemes, customer opinions are mixed on whether the responsibility lies with customers or their water company.

In developing a bespoke PC in this area, customer insight suggests South West Water be more vocal about the progress they have made, and the additional services provided to ensure it feels more of a collective effort in solving the problem.

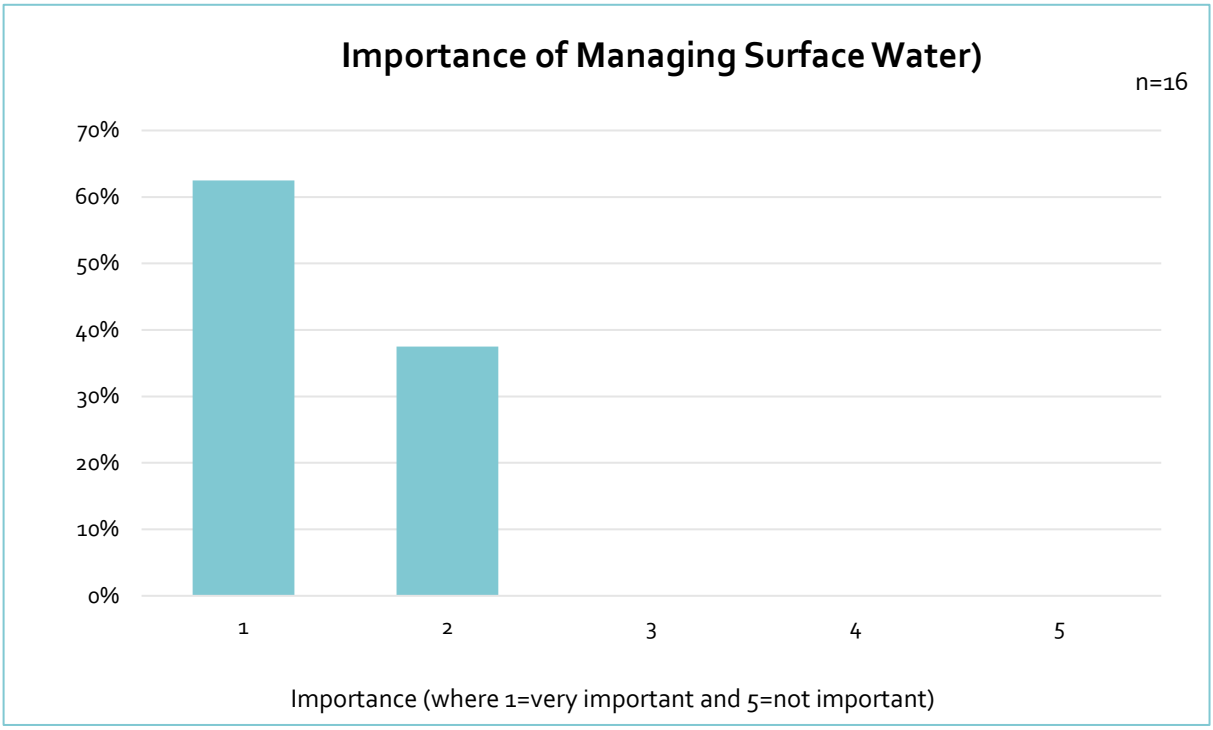


Figure 4.8 Reducing Rainwater Getting into Sewers (Managing Surface Water)

"I think there is certainly mileage in it being about community ventures, but I guess a national campaign to get people on board within communities would be so powerful, I think. So, I think you need a blend of both."

Female, ABC1, 46+, South West Water

"I would look forward to it if a water butt was installed into various properties or new properties as a matter of course, because we're helping the sewage system by not overstretching and by dealing with it in a good way"

Male, C2DE, 46+, South West Water

SMARTER, HEALTHIER HOMES – LEAD PIPE REPLACEMENT

Summary

The majority of customers feel lead pipe replacement is very important as water customers consider it their second-highest priority overall only behind resilient water supplies when considered alongside other bespoke PCs and scores the same as resilient water supplies when discussed in turn.

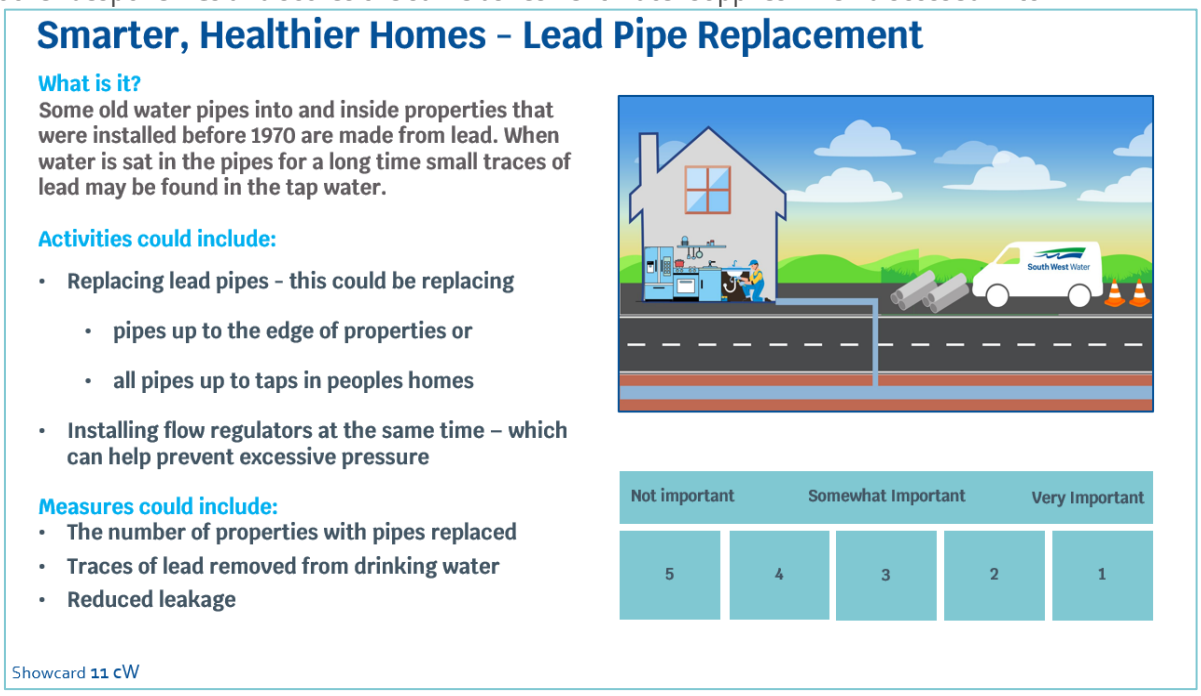


Figure 4.9 Information showcard

Customers are very supportive of a bespoke PC in this area to minimise traces of lead in drinking water. They are concerned about the idea of any level of lead in drinking water, and they place emphasis on public health and mention 'healthy' and clean drinking water in their discussions. Customers also state that removing lead pipes is a top priority with unanimous agreement there should be a target in this area.

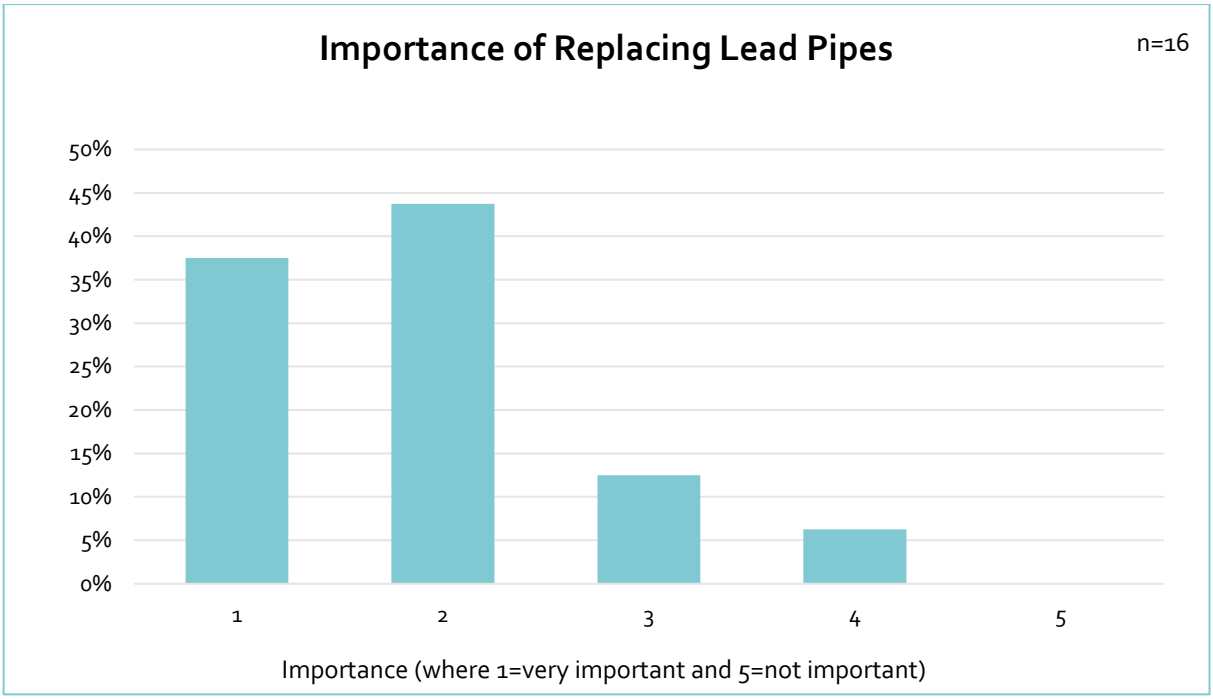


Figure 4.10 Smarter, Healthier Homes - Lead Pipe Replacement

Customers want lead pipes removing and agree that their water company should be responsible for all pipes leading up to a property. However, they are split on whose responsibility it is to replace pipes within households. Concerns are around water company customers paying for landlords' responsibilities and the upgrade of properties that could have multiple facilities and feel that these should be paid for by the owner. However, respondents do voice doubts over whether vulnerable customers can afford the changes inside their household with suggestions that they could be helped via government grants. Customer also state that schools and nurseries should be a top priority with responsibility falling to either councils or the government to replace the pipes.

"I think up to the boundaries, and then after that, it should be down to the household to sort it out, and there should be grants to help people who can't afford things like that."

Female, C2DE, 46+, South West Water

"You couldn't expect everyone to pay to bring these properties to standard, when real life is that there are many rented properties, for example, so it's got to be down to the landlords to sort out, not to the general public. "

Male, ABC1, 46+, South West Water

"I don't think it's their [water company] responsibility to deal with it in the house, because if it was a case where everyone had a standard 1 tap in the house, fair enough, but when people have kitchens, toilets, en-suites, extensions and things like that, I think that should be down to the customer to pay"

Male, C2DE, 46+, Bristol Water

CATCHMENT MANAGEMENT

Summary

Catchment management was discussed in the Water Focus Groups. The majority of customers score this area as a one or a two (in terms of importance) deeming it very important and although not the most important overall, is still high priority as a bespoke PC.

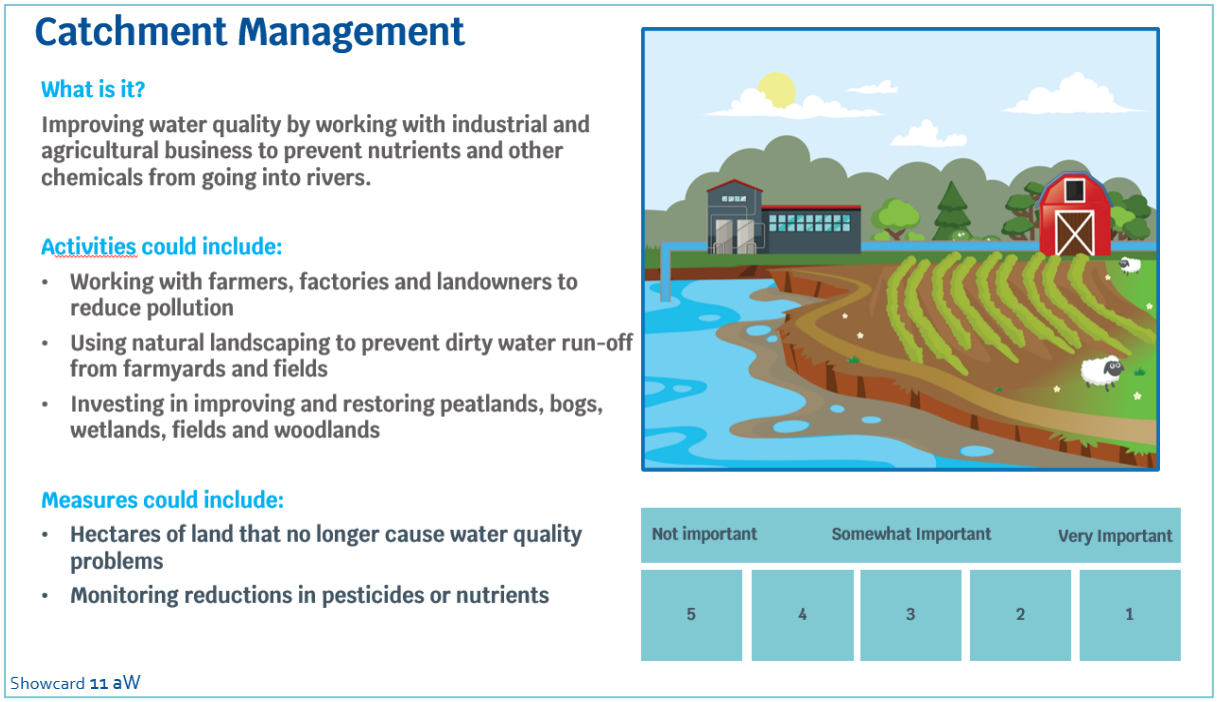


Figure 4.11 Information on Catchment Management

In more detail

Customers say catchment management is a very important issue and should be a top priority. They agree that there should be a target in this area and there should be zero tolerance on the polluting of rivers. They state a multi organisation approach is required with water companies working with industries and farmers, however, they acknowledge the complications that could arise when multiple organisations are involved.

There is agreement that prevention is better than cure in this area, some stating it is essential, citing it would be more cost effective in the long run, be better for the environment and the health of customers.

When discussing further, customers want to ensure the health of the rivers, with an emphasis on protecting the environment, and some highlight that greater education is the solution – one specifically mentioning towards farmers. Some customers mention the need for more joined up regulators in this area as there seems to be mixed views on whether the responsibility lies with the water companies or other parties such as the Environment Agency.

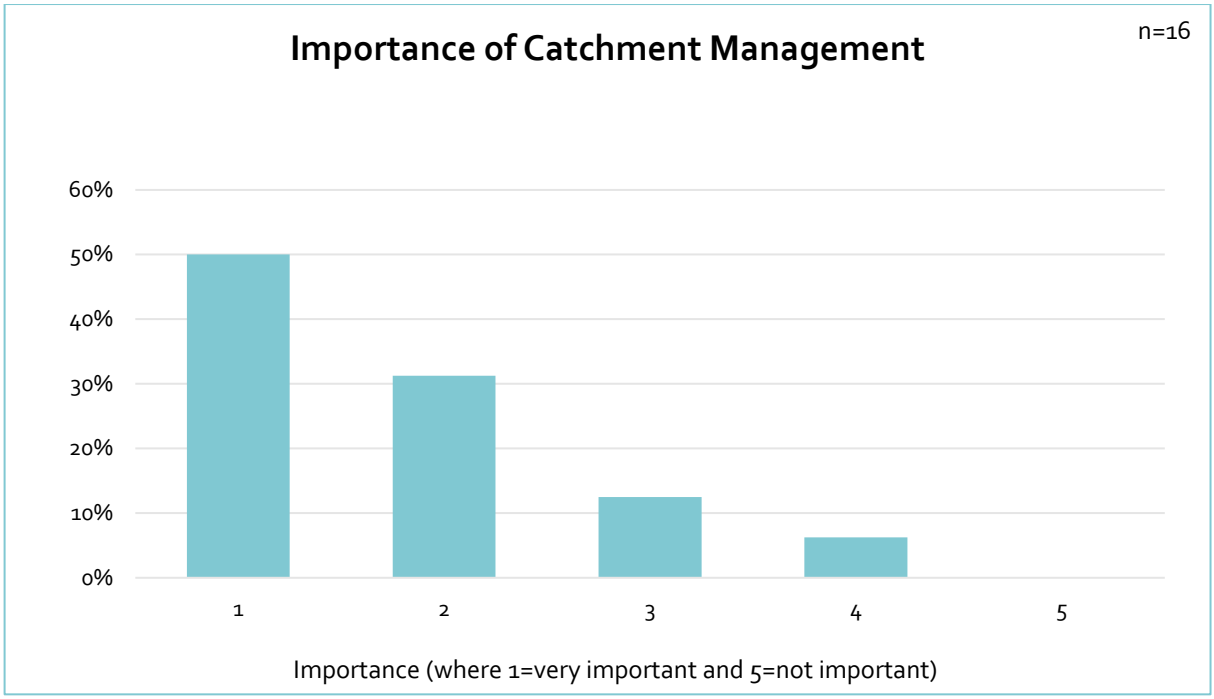


Figure 4.12 Important of a bespoke PC for Catchment Management

When considering catchment management alongside other water bespoke PCs, it is not the highest priority, falling below Resilient Water Supplies and Replacement Lead Pipes.

However, although catchment management ranks lower, it does provoke a positive response as a bespoke PC, with some customers linking the issue to CSOs as well as pollution from other industries.

"Improvements will benefit the environment as well as costs and energy consumed in treatment."

Male, ABC1, 18-45, Bournemouth Water

"It is absolutely a priority that the water companies and the industrial companies, farmers etc. should work together on these issues."

Female, C2DE, 46+, South West Water

CLIMATE RESILIENT CATCHMENTS

Summary

Customers acknowledge the stress that climate change can have on water company infrastructure in the future and that it is necessary to ensure that it is protected in the future. This is reflected in the overall rankings as it is the 2nd highest priority amongst wastewater customers, ranking 5th overall.

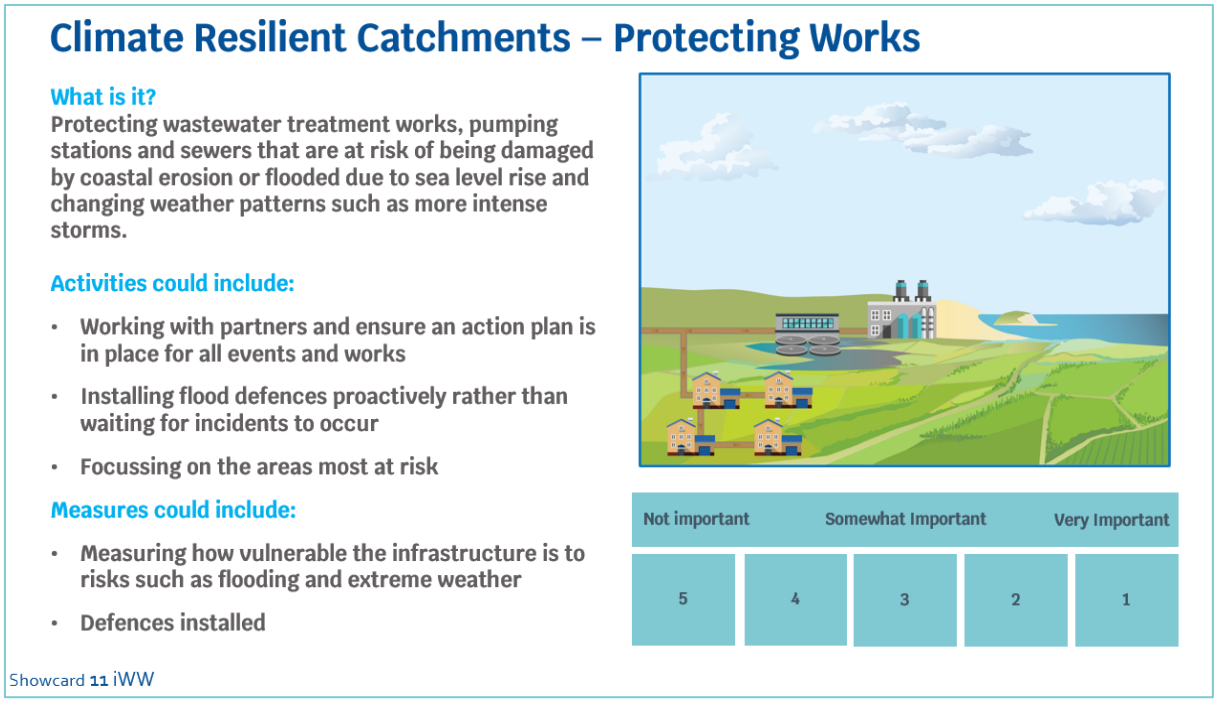


Figure 4.13 Information on Climate Resilient Catchments – Protecting Works

In more detail

Customers recognise the importance of protecting works referring to the effects of climate change worsening over time. Almost all customers consider this performance commitment important, which is in line with the general feeling across groups about the environmental concerns facing the company. Customers are very aware of the recent news coverage surrounding CSO's and think that climate-protected infrastructure would help alleviate this. They feel that prevention is essential in this area, stating preventative action rather than reactive to be preferred, favouring longer-term investment projects such as flood defences, providing cost-savings in the longer-term.

Customers do question what would happen if a whole works was taken out of action when thinking about a target in this area and acknowledge that it could have substantial and worrying effects regionally. Although some say activity in this area is common business sense, most customers do feel a bespoke PC is necessary especially in light of climate change.

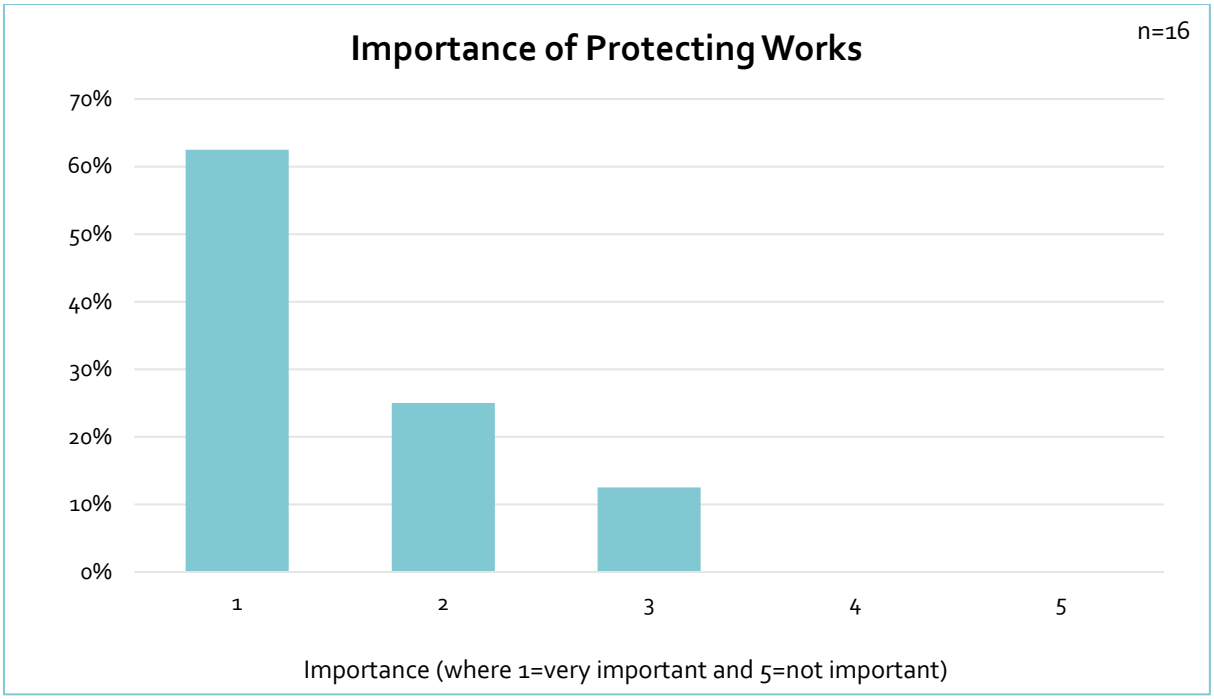


Figure 4.14 Importance of Climate Resilient Catchments – Protecting Works

"I think this is the most important area of all that has been covered this evening."

Male, ABC1, 46+, South West Water

"I'm sure a long term strategy is in place to determine the likelihood of a treatment works being at risk of 10000 year event. If not, it should be already!"

Female, C2DE, 46+, South West Water

"Protecting the works is important as without them we will have major issues in water treatment"

Male, ABC1, 46+, South West Water

REDUCING SEWER BLOCKAGES

Summary

Discussed in the SWW wastewater groups, customers recognise the importance of a healthy sewer system, however a minority have reservations about the proposed activities to help with reducing blockages especially education which generated mixed views. As a result, this area is considered important for a bespoke PC, but not the highest priority.

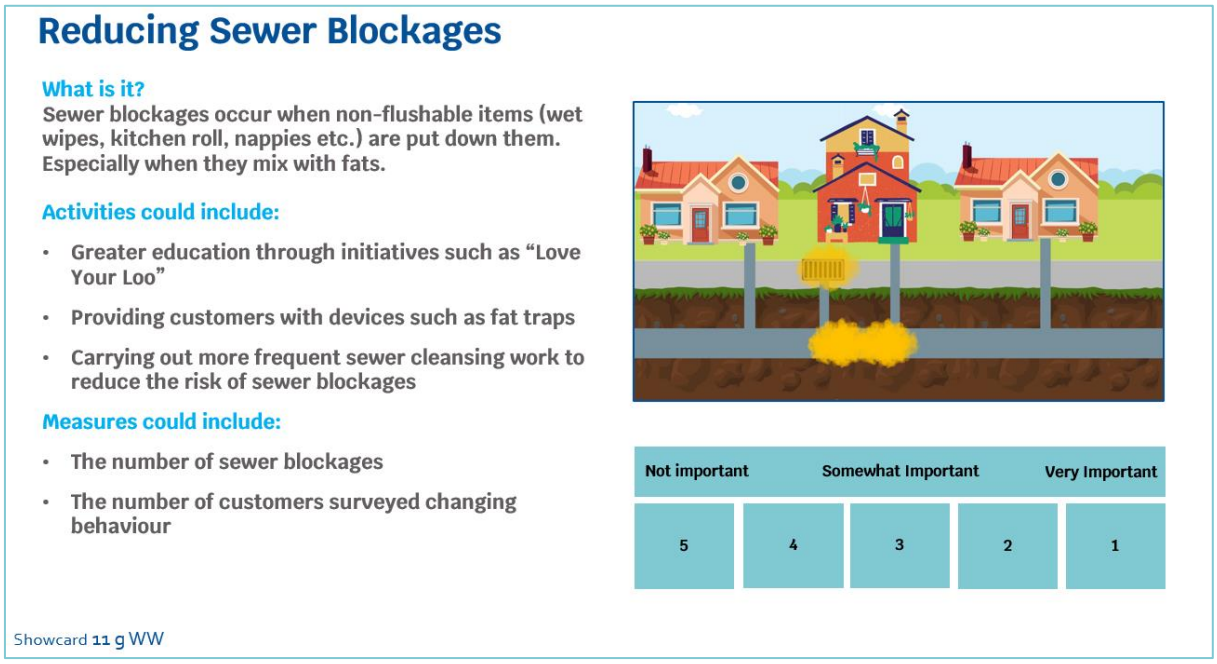


Figure 4.15 Information on Reducing Sewer Blockages

In more detail

Most customers agree that there should be a bespoke PC in this area and most think that the solution begins with education, stressing the importance of starting from a young age. A minority are sceptical as to the effectiveness of education, suggesting it is already common knowledge as to what can or can't be flushed. Customers also suggest that second home owners let their properties as holiday rentals and visitors are not necessarily as diligent when considering what to flush and not to flush. Customers say education should be "hard-hitting" and it is important water companies constantly monitor if the approach is working and should change their approach if it isn't.

Customers feel that prevention is better than the cure but in the interim a mix of both prevention and cure may be needed as education won't be immediate.

Customers are concerned that sewer blockages can have an adverse effect on health and reducing them will result in a cost saving over time.

Some respondents say a solution should be on a bigger scale such as building bigger sewers, but others think big and small actions need to be happen concurrently. A suggestion is if the water company is trying to actively improve things through investment and the customer is trying to make changes to their behaviour, the water company should take the lead to let customers know what they are doing is having a positive impact to encourage people to join in. One example of effective communication related to customer action arising in the groups was the work to encourage customers in Cornwall to protect reservoir levels.

Customers who rank this area not as important to have a bespoke PC state that it is ultimately down the customer to change and that leaflet campaigns are a 'waste of money'.

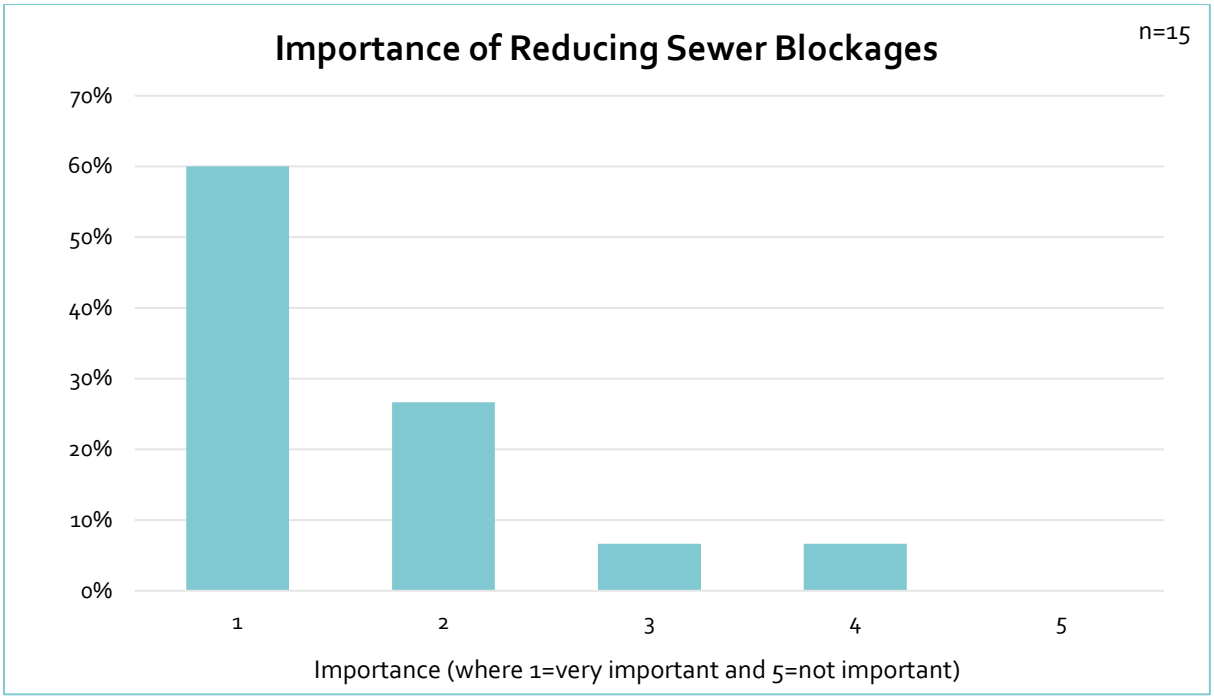


Figure 4.16 Importance of Reducing Sewer Blockages

"As important as having a target is, it is ultimately down to the public to stop doing things that cause blockages."

Male, C2DE, 18-45, South West Water

"But there are those out there who really don't care, but for education and learning from a young age, maybe that could change."

Female, C2DE, 18-45, South West Water

CONNECTED PONDS

Summary

Both water and wastewater customers are generally positive towards connected ponds, acknowledging the benefit of preventing rainwater entering the sewers. Some customers think it would be a good idea once developed more and this reflects why the option scores towards the lower end in their overall rankings. Customers are supportive of SWW developing their ideas in this area. Some customers would like more information about the likely effectiveness of the activities to help them prioritise.

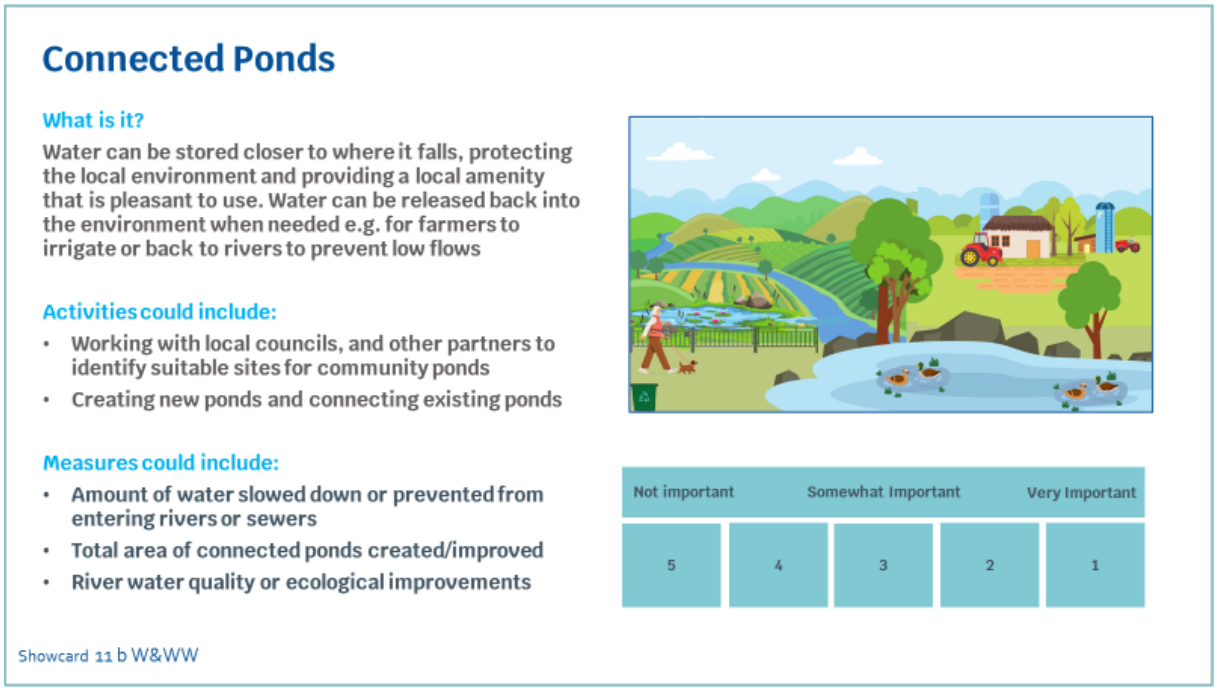


Figure 4.17 Information on Connected Ponds

In more detail

The majority of customers in the water and wastewater groups ranked the importance of a bespoke PC in this area as a one or a two, deeming it important with sentiment especially strong in wastewater customers. It is clear across groups that customers become more positive towards connected ponds after more information is provided. Feedback obtained from customers indicates that they are more likely to be in favour of this area once they are more knowledgeable about what it involves and once the concept becomes more developed.

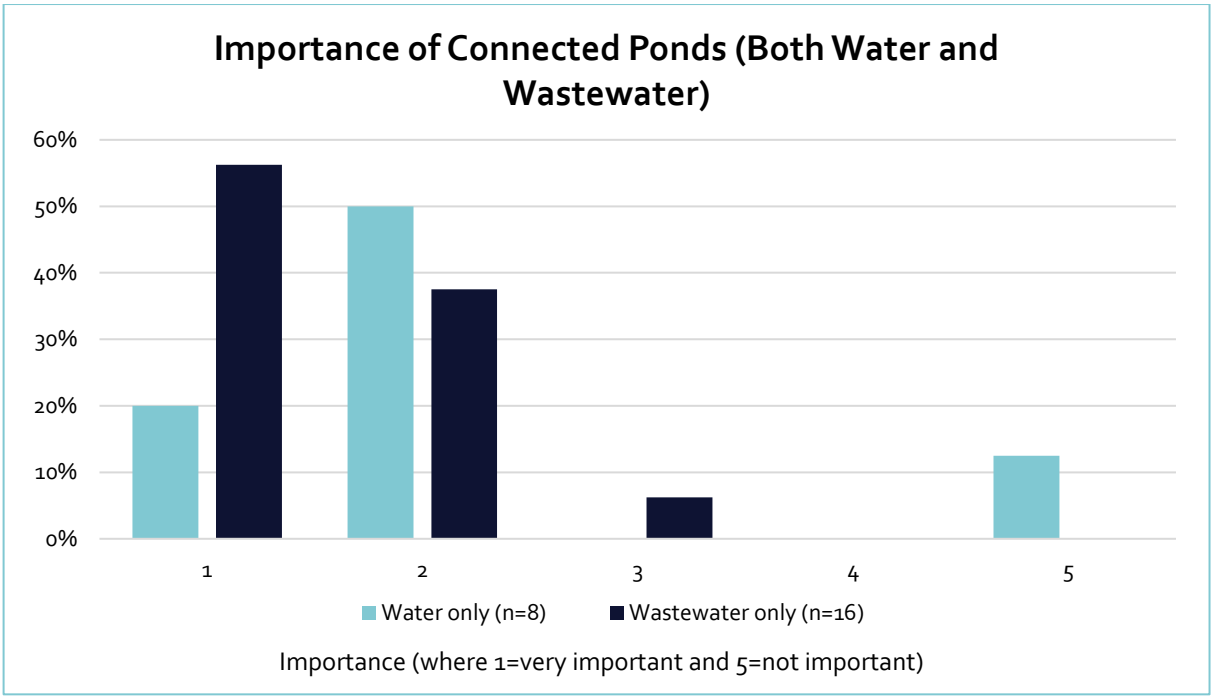


Figure 4.18 Importance of Connected Ponds

"There just doesn't seem to be any downsides to it, helps to stop the water entering sewers, environmental benefits."

Male, C2DE, 18-45, South West Water

"Wasn't 100% sure on what the benefits would be for the environment, but I thought it would be important because it does help the environment, so I kind of went in the middle because it does help the environment."

Female, ABC1, 18-45, South West Water

NET ZERO – EMBODIED CARBON

Summary

Most customers consider net zero a very important performance measure. Some customers have reservations about if achieving net zero is the most cost-effective solution their company. As a result, they prioritise other measures ahead of this performance commitment.

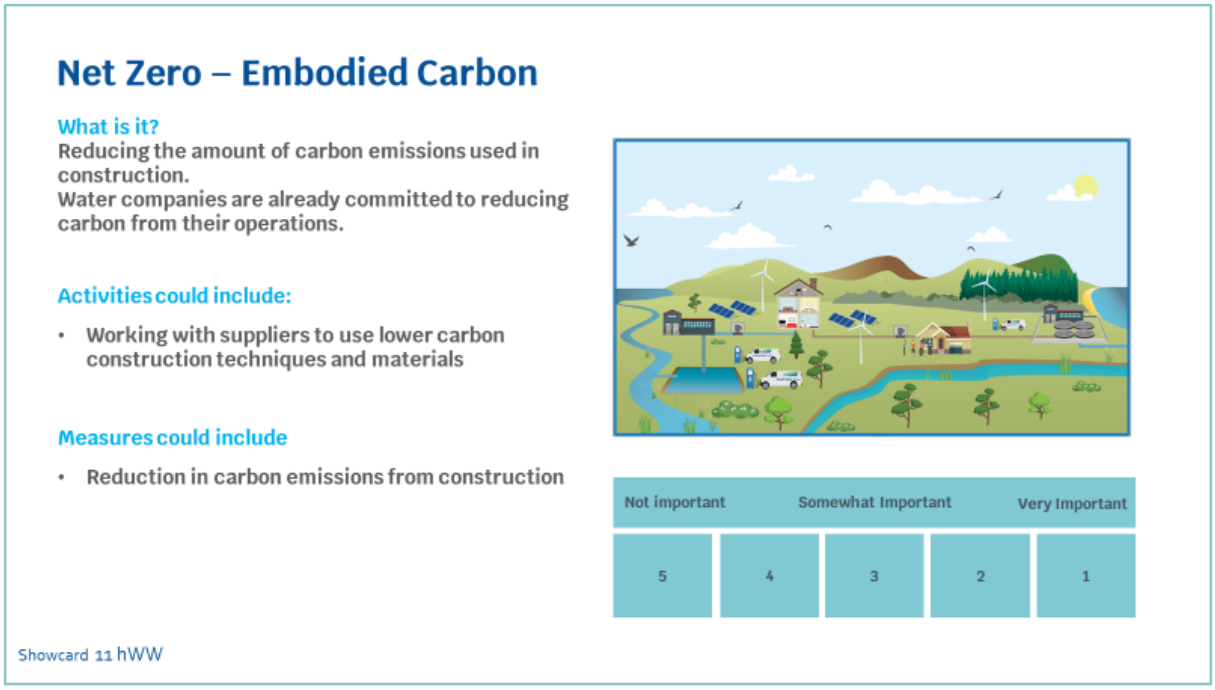


Figure 4.19 Information on Net Zero – Embodied Carbon

In more detail

The majority of customers believe reducing emissions wherever possible is essential, but some customers caveat this against the cost of action to reduce emissions from construction activities, believing there are more effective and more important ways to reduce carbon that should be undertaken first. Those that view it as a lower priority either consider other objectives are more important or it to be too costly, and a small minority do not believe carbon emissions affect the environment.

Customers also mention that their water company needs to be seen to keep in line with national thinking on carbon and a few in the group agree a measure in this area would be seen as a good thing. Some felt it was important to be monitored in this area, whilst others thought there were more important areas to focus on.

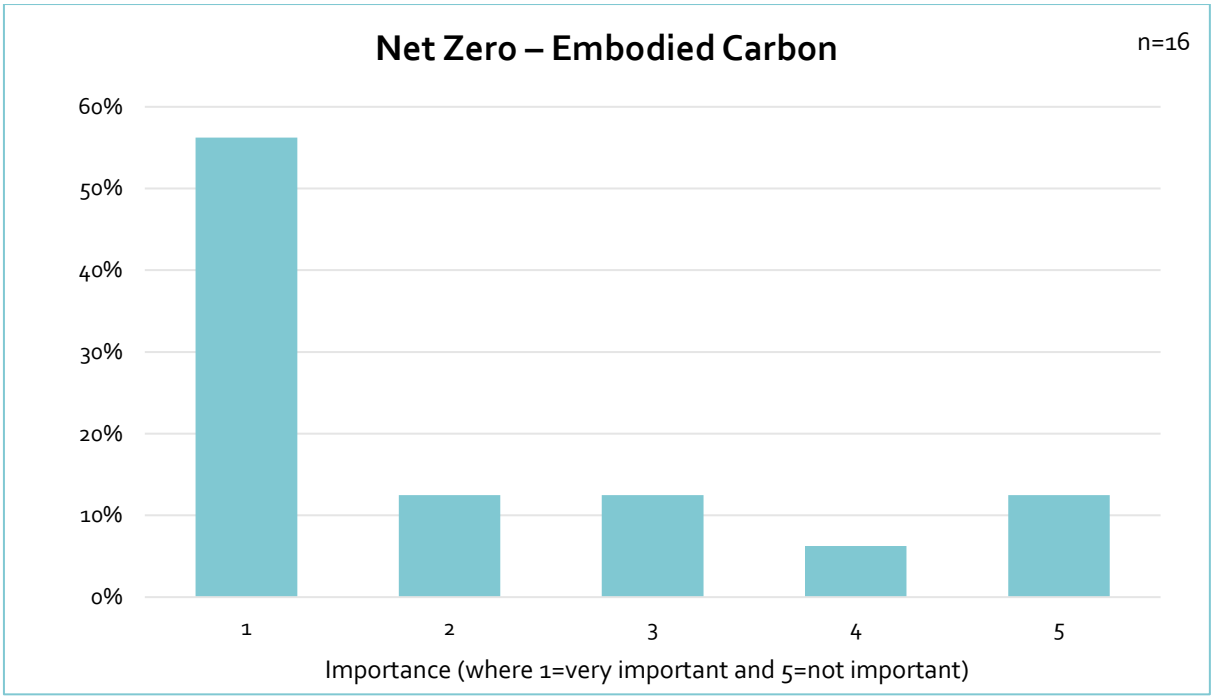


Figure 4.20 Importance of Net Zero – Embodied Carbon

"I think this has to be a top consideration; SWW needs to be seen to be keeping in line with the national thinking."

Male, ABC1, 46+, South West Water

"There's a lot more carbon, a lot more dangers in the world (e.g., planes) than this, so that would be more important than this for me."

Male, ABC1, 46+, South West Water

SMART METERS INSTALLATION

Summary

The views on smart meters is mixed amongst the Water Focus Groups as the measure is the lowest priority for the customers. They are generally not keen meters in general, identifying a lack of trust as to the purpose of them. However, customers did put an emphasis on the usefulness of smart meters to educate customers on water consumption and also to help identify leaks quickly.

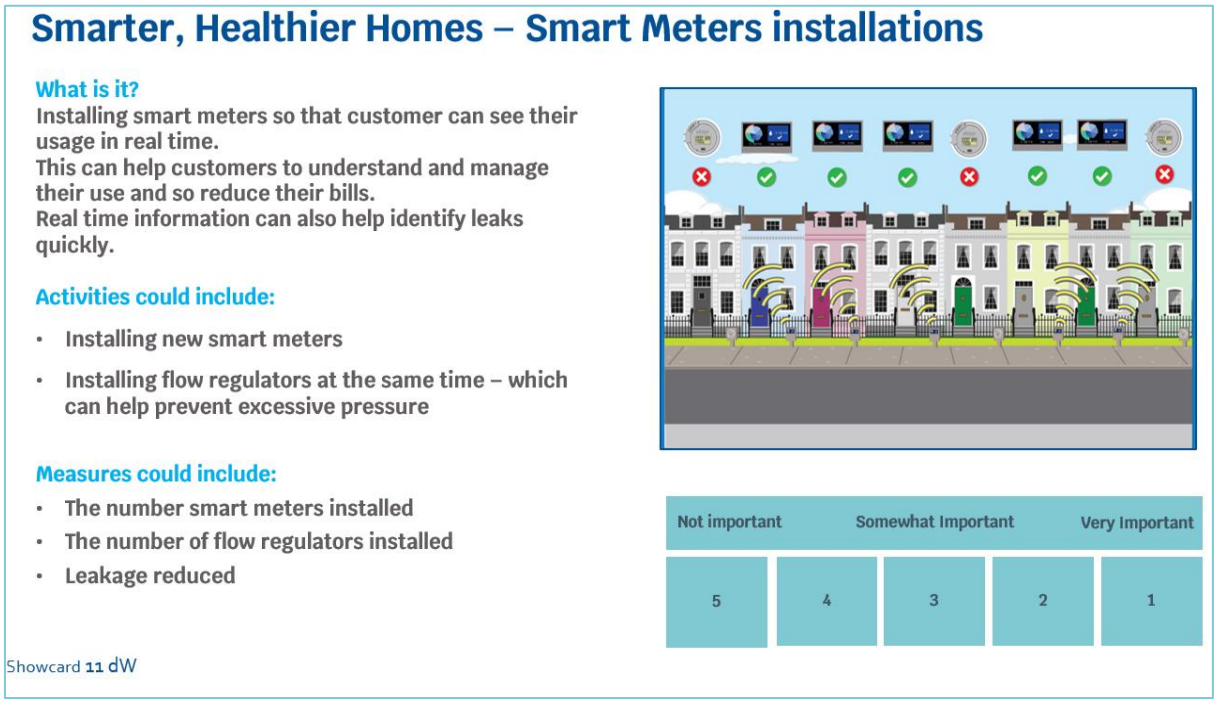


Figure 4.21 Information on Smart Meter installation including flow regulators

In more detail

Most customers consider a bespoke PC for smart meters a good idea as they feel it helps them monitor usage, reduce bills and helps water companies identify leaks quicker. There is some negativity regarding a measure for smart meters with some customers citing there are more important things to measure such as fixing leaks and the quality of drinking water. Some customers think there is little point in setting a target in this area as they think that people who want one already have one and there is a general lack of trust around whether smart meters work properly. There are also low level concerns about behavioural changes if people were monitoring their water usage from a hygienic perspective.

Those who have an energy smart meter are supportive and positive about the installation of water meters but mention that water usage might not be as reactive as electricity usage, and monthly meter readings would suffice.

When asked if they felt it was important to have a target set around the installation of smart meters, feedback varied with an even split across the lower importance rankings, however, those who already had smart meters for gas and electric were more supportive.

In terms of Flow Regulators, customers views are led by those with experience of them, some of whom are positive, with some customers seeing a benefit for protecting appliances from unnecessary wear and tear and some negative, citing lower pressure.

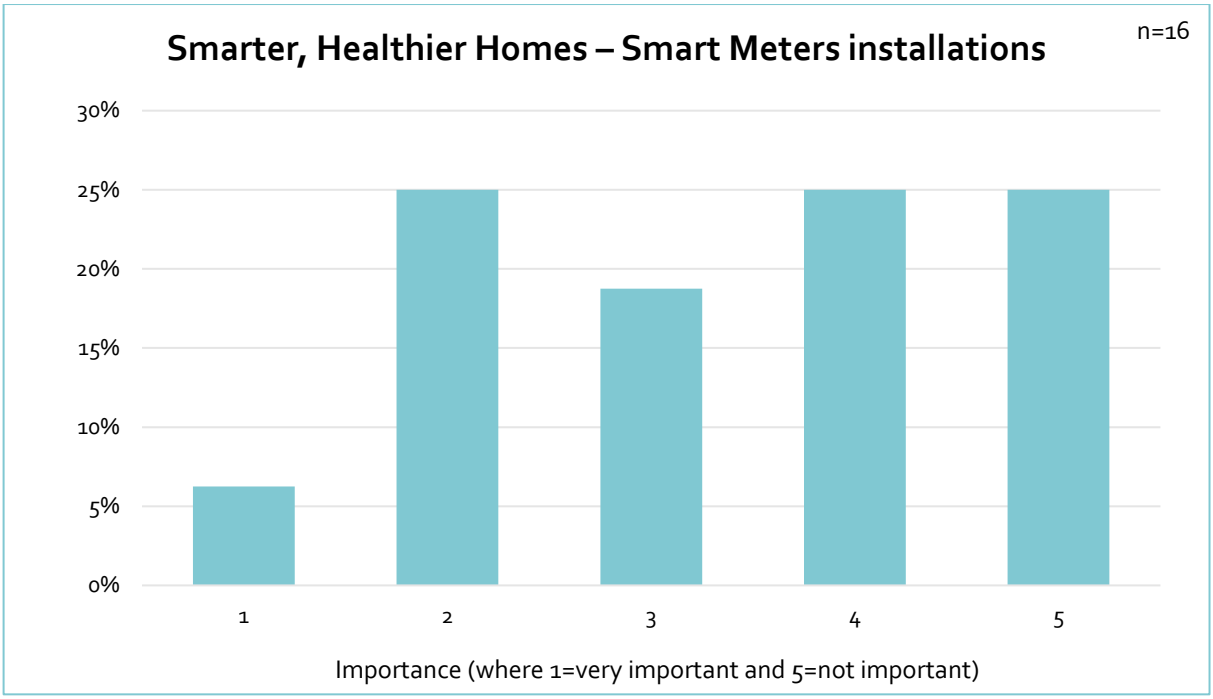


Figure 4.22 Importance of a measure for Smart Meter Installation

"I think there are things that are more important, like having consistently high quality of drinking water and reducing leaks. So I think it is important but there are things that are more important."

Female, C2DE, 46+, South West Water

"I think this is a good idea. It gives more control back to the customer and not only saves the customer money but also saves the company money if dealing with leakage quickly."

Female, C2DE, 18-45, South West Water

4.4 £50 Government contribution

Summary of findings

- Customers view it as vital for the £50 contribution to continue

The government's£50 contribution was discussed in the two Wastewater groups.

There is a high level of recognition amongst customers of the high bills in the South West Water area compared to other regions.

The majority of SWW customers consider the £50 government contribution is vital. Customers feel the government contribution is vital to offset the high volume of tourism which is perceived to drive up bills.

These views are compounded by the cost of living crisis and customers think the contribution should not be removed in the current cost of living crisis.

"£50 is a lot of money these days with everything going up; so anything we can get off helps, doesn't it?"

Male, C2DE, 46+, South West Water

"That's because we subsidise all the tourists; but they bring in money to our businesses."

Male, C2DE, 46+, South West Water

"£4 a month, it's a pint of. Beer."

Male, ABC1, 46+, South West Water

"Well, exactly, I don't want to lose a pint of beer!"

Male, ABC1, 46+, South West Water

"I think the thing is, if they give you £50, they're going to take it back from somewhere else; it's like when you pay your car tax."

Male, C2DE, 46+, South West Water

"I get that point but I feel like they'll take it off of us anyway. So, I'll take the tiny bit where I see it coming back."

Female, ABC1, 18-45, South West Water

5 Conclusions

The overall objective of the *Performance Commitment and Outcome Delivery Incentive Engagement* has been to understand customers' views on bespoke performance commitments and the allocation of outcome delivery incentives across common and bespoke commitments.

This qualitative research has developed South West Water's understanding of their customers' views on which performance commitments are most preferred by customers. Customers acknowledge the importance of having basic standardised measures across all water companies but recognise the importance of reflecting regional individuality and differences in both defining performance commitments and in setting targets for common or bespoke commitments. Customers favour greater emphasis on regional measures than Ofwat's proposals when achieving the balance between the two.

The research shows that customers have mixed views about ODIs in principle. They are relatively supportive of financial incentives for under-performance, although some customers would rather money was reinvested to ensure the target is met in the future - especially for environmental targets - than returned via bill reductions. Customers are less supportive of bill increases for over-performance, some feeling that they should have a choice whether to overpay for good/ better service and others being concerned about bill increases for customers in vulnerable circumstances in the cost of living crisis.

Customers have mixed views about the level of bill variability: some feel it should be higher to increase incentives for their water company; and others worry about affordability.

Customers make thoughtful suggestions about incentive structure: wanting incentives to drive performance both every year, over the five year period, and into the longer term; and liking incentives that are flexible to respond to new information arising and that encourage proactivity (prevention rather than cure) and working together across organisations.

Customers are mindful of the long-term environmental challenges that face South West Water and are actively considering this throughout the exercises. This is particularly strong given awareness of recent news coverage around the issue of combined sewer overflows, and customers want assurance around achievement of environmental targets.

Analysis of customer behaviour and preferences reveals that customers are strongly in favour of preventative measures as the most viable and cost-effective solutions for investment for performance commitments. They want a balance of investment in larger-scale infrastructure projects, education about individual actions and exploration of newer alternative infrastructure options such as connected ponds and catchment management, understanding and recognising the challenges that face South West Water, especially around water resources and climate change. This is in line with wanting to stop the issues at source instead of finding a cure afterwards, considering this more proactive rather than reactive. Customers are mostly in favour of education as a means to do this, and this can be by South West Water engaging with the public more with school trips, or with behavioural cues to change the actions of the public.

Appendix A

LONG TERM AMBITIONS

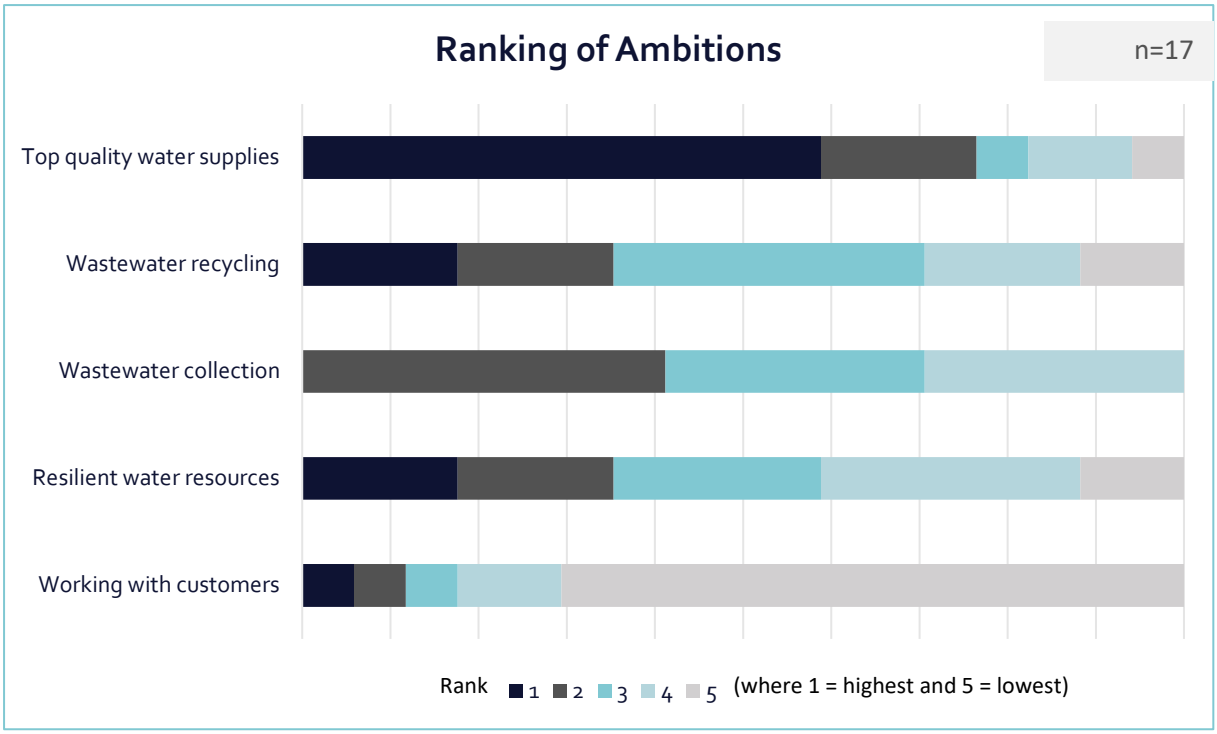
Groups 1 and 2 discussed South West Water, Bristol Water & Bournemouth Water's (SBB's) draft long term Ambition statements in order to set the context for their discussion around performance commitments.

Customers think the concept of companies setting out Ambitions is a good one and generally support the areas proposed. Customers feel the Areas covered by the Ambitions are broadly the right ones, did not think anything was missing, but would like to see the environment and infrastructure condition come through more explicitly.

Customers want to see Ambitions clearly linked to and backed up by deliverable targets. Customers are not supportive of any statements perceived as 'woolly' or 'management jargon'.

Customers highest priority Ambition is 'top quality water supplies' reflecting the views expressed around what makes good water company service early on in the session - high drinking standards is what customers expect first and foremost from their water company.

'Working with customers' came out as the lowest priority as customers are concerned this is refocussing the emphasis onto customers rather than South West Water taking responsibility. They express concerns around trust, implying this is a way to hold the customer responsible for company obligations.



COMMON PERFORMANCE COMMITMENTS

Consistent with their views on Ambitions, customers prioritise common performance commitments that target 'top quality water supply' and are least supportive of measures that encourage water companies to 'work with customers'. Working with customers is seen as lower importance, compared to delivering core services. Customer satisfaction is also viewed as a lower priority as it is felt that this follows from good service elsewhere. Customers view customer contacts as a low priority compared to other drinking water measures of performance.

Appendix B – Topic Guide

South West Water, Bristol Water & Bournemouth Water
PR24 Performance Commitment and ODI Engagement

Topic Guide (5th April 2023)

Introduction	< 5 mins

Showcard 1: Welcome Slide

- Moderator(s) to introduce themselves, explain the format of the discussions, and set out objectives of the discussion. [To understand your views about water company services and performance and the incentives that are set by the regulator to drive continuous improvement.]
- Thank participants for taking part in the pre-reading exercise so far on behalf of South West Water and our research team.
- We are an independent consultancy conducting research on behalf of South West Water. We work in line with the MRS Code of Conduct. We would like to assure you that all the information we collect will be used for research purposes only. It will not be possible to identify any particular individual or address in the results.
- We welcome all your views during the session. There are no right or wrong answers; don't be afraid to contribute. Our goal is to get a balance of views to make sure we hear from everyone.
- To minimise disruption, please turn off your mobile phone or put them in another room. You can mute yourself if there is any temporary background noise. If you'd like to speak, please use the yellow hands up button. At any time, please use the chat box to add your thoughts.
- *Check participants can see hands up button.*
- Sessions will be recorded for internal use. South West Water/Bristol Water/Bournemouth Water may observe the groups or review the sessions.

Setting the Scene	5 mins (10)

- We are conducting this group on behalf of your water company to understand what is important to customers and what your priorities for water services are. Your views will help the company to develop its plans for the future. The purpose of these sessions is to understand your views on how your water company's performance is measured.

Showcard 2: South West Water, Bournemouth Water and Bristol Water areas

- Here is a map of the areas your water company is responsible for.
- *Exercise*
  - Can you put a tick on the map to show which area you live in?
  - *CONFIRM* THAT WE ARE FOCUSING ON **WATER/WASTEWATER** IN THIS GROUP – WE WILL BE TALKING TO OTHER CUSTOMERS MORE ABOUT WASTERWATER/WATER
- We shared some pre-reading with you before the session, to give you an overview of what water companies do and what services they provide.

Showcard 3: What does a Water Company do?

- *Explain* showcard on the water cycle.
- *Ask*

1 | Page

- Having read the background reading, is everyone comfortable with your water company does? (Showcard on the water cycle)
- What makes good service and how do you know if you've received it?
    - How well do you think your water company performs?
    - ***Probe around if they have called SWW/BRLW/BW about service issues, what that has been about and how they feel about that.***

Business Planning	**30 mins (45)**

We are now going to think about how your water company's performance is measured.

Every five years, water companies develop a 'business plan' that sets out how they plan to develop their services over the next five years, and the proposed cost of that to customers' bills. As part of this they agree a set of performance commitments or targets with Ofwat. Some of these are common across all companies and some are specific to a company. A key element to developing their plans is to understand the views and priorities of their customers.

- Does that make sense? Does anyone have any questions?

Showcard 4SWW or 4MIXED National Actions

The showcard shows the measures that all companies are considering. Most of these are already measured and companies have targets to meet. These were included in your pre-reading pack.

- Were the useful definitions helpful? Is there anything else that it would be useful for us to include to make it easier for other customers to understand?

Ask a selection of the following (as time allows – don't need all as asked last week – need to confirm they understand the common measures)

- What do you think about the number of measures? Probe is they think there are too many or too few or just right?
- ***Ask - Are there any that you think are more important than the others?***
- Is there anything missing?
- What do you think about Ofwat using standardised measures across all water companies? Probe whether they think it's good or bad. See whether they highlight there may be issues with regional variability e.g., amount of coastline, industry etc (but don't prompt)
- What do you think about regional company level commitments, so companies can have measures that reflect their own local circumstances? Probe if they think it's good/bad option and why; do they highlight differences such as tourism, geographical differences, affordability, water supply

Showcard 8 Performance against targets

Every year Ofwat monitors water company performance against their targets. On the screen you can see some things that Ofwat and others have said are important about how Ofwat monitors company performance.

- ***Ask – What do you think about this list?***
- Are any of these factors more important than any others? Which would you say is the most important/the least important?
- Is there anything missing?
- What do you think about the idea of compensating customers if targets are not met? This is in the form of a small reduction to everyone's bills.
- What about if your company goes further and delivers more than the target? Should customers pay a small amount extra on their bills then?

Ofwat does monitor companies' performance against the agreed targets every year. Ofwat also monitor customer bills. Ofwat sets a package of targets and bill amounts to pay for the services every 5 years. If companies have not met a target, then companies do have to reduce bills to customers. If they have delivered more than a target (eg improved bathing water quality or customer satisfaction by more than they agreed to) then they can raise bills to reflect the extra service provided. Ofwat determines how much companies have to reduce or could increase their bills each year.

Do you understand the approach that is used?

Showcard 7SWW or 7 MIXED: Fixed and variable parts of the bill

The showcard illustrates how most of your bill is fixed each year. The smaller variable part is the amount that can change depending on whether the company meets its targets or not.

The average SWW bill is £475 this year
Additional explanation for Water groups:
Water and sewerage bills this coming year are £450 on average. Those of you in the Bristol area have combined bills on average at this level, those in the South West a bit more (around £475) and those in Bournemouth a bit less (around £400).

- Check understanding – does this make sense?
- Ofwat is proposing that this variable part of the bill could be plus or minus £50 from 2025. Probe whether it is too much, about right or too small?
- What do you think about how your bill could change each year depending on how your water company performs?
- Do you prefer a fixed bill, or do you prefer a rebate if service is not delivered as planned and paid for in bills.

Potential Areas for Local Performance Commitments	**20 mins (65 mins)**

After discussions with other customers, your company has identified a number of (additional) possible measures of performance to reflect your region and the priorities that other customers have shared with South West Water/BRL/BW. We are now going to look at some of these ideas to understand your views on these measures themselves and whether you'd like to see a performance target in these areas.

Showcard 11a to 11i Local Actions

- Moderator(s) to explain potential Bespoke PC area (some include more than 1 potential action/measure) and probe levels of support, views on definition and importance, understanding reasons behind views. (e.g., prevention v cure, level of risk, bundling v focused activities, fairness etc as relevant)
- Options are split across the 2 groups, with 1 in both (in Groups 3&4) to aid comparison.

Potential Areas for Bespoke PC	**Group**
Catchment Management	**Water**
Smarter, healthier homes – lead pipe removal	**Water**
Smarter, healthier homes – smart meter installation	**Water**

Water availability / resilient water supplies	Water
Connected Ponds	Waste
Reducing rainwater getting into sewers (managing surface water)	Waste
Reducing sewer blockages	Waste
Climate resilient catchments – protecting works	Waste
Net Zero - Embodied carbon	Waste

exercise – from this information - put a tick on the box which best describes your view of how important it is for SWW to have a target in this area.

- Probe vote - Is this an area you think is important for SWW/BRL/BW to have a target? Based on responses, briefly probe to understand more (feel free to say customers have discussed this in more detail). Encourage, use of the chat:
    - Did you think about the possibility of bill increases or decreases when you thought about importance? Would you change your view if there was no bill impact from missing or beating the target?

All together	**5 mins (70 mins)**

Now we've looked at all the options for local measures, we'd like you to think about them all together.

Showcard 12W or 12WW

- ***Exercise*** – can you rank which you think are most important areas with 1 being most important to 5 or 6 being least important
    - ***Probe to understand why they voted as they did (anything additional they want to share now they see them all together)***

All measures	**10 mins (80 mins)**

Showcard 13W or 13WW: All Measures

- I now want to come back to look at all the measures we have considered together – the common ones that all companies will have and the local ones we have just been discussing.

Exercise:

- Looking at all the measures together, can you put a tick against the 3 measures that you think it is most important for your water company to have a target for and a cross against the 3 that you think it is least important for them to have a target for.
    - ***Probe to understand why they voted as they did***

Bill impacts- NEED TO INCLUDE THIS BIT	**5 mins (85 mins)**

Showcard 9: Options for bill impacts

I now want to come back to the variable part of the bill. This showcard shows some options for allocating a £50 variable part of the bill between the common measures that all companies will have and local ones, just for your region. Remember that if the average company meets their targets, then the bill for both water and sewerage is £450 and if they exceed them it could go up by around £25 or if they miss them then down by around £25.

Ask

- *Exercise* - Can you put a tick on the option you prefer and a cross on the one you like the least?
  - *Probe to understand why they voted as they did*
  - *If it is difficult to decide, probe to see what additional information would help*

£50 Government Contribution - (only for SWW group)	**5 mins (90 mins)**

At the moment the government pays £50 of your annual water and sewerage bills. This is automatically taken off bills by SWW.

- Whether this contribution continues in the future is uncertain.
- It is possible that this will stop although it may be replaced with additional help for customers with household incomes under about £16,500 after mortgage or rent.

- If the £50 contribution stopped, would this change your views on anything we have discussed this evening? Explore how. Probe whether it would:
  - affect views on whether companies should be penalised or rewarded based on whether they miss of hit targets.
  - affect the level of bill variability they support or how that is allocated.

End of session	**<5 mins (90)**

- We've covered a lot today, are there any final comments?
- What do you think about SBB asking you about your views?
- Thank you for your input today. We are nearly done.
  - Polls on how the sessions went
  - As polls completed, explain how the results will be used
- Finally, are there any final comments?
- Thank you and close

Appendix C – Showcards

INTRODUCTORY SHOWCARDS

Outcomes focus groups

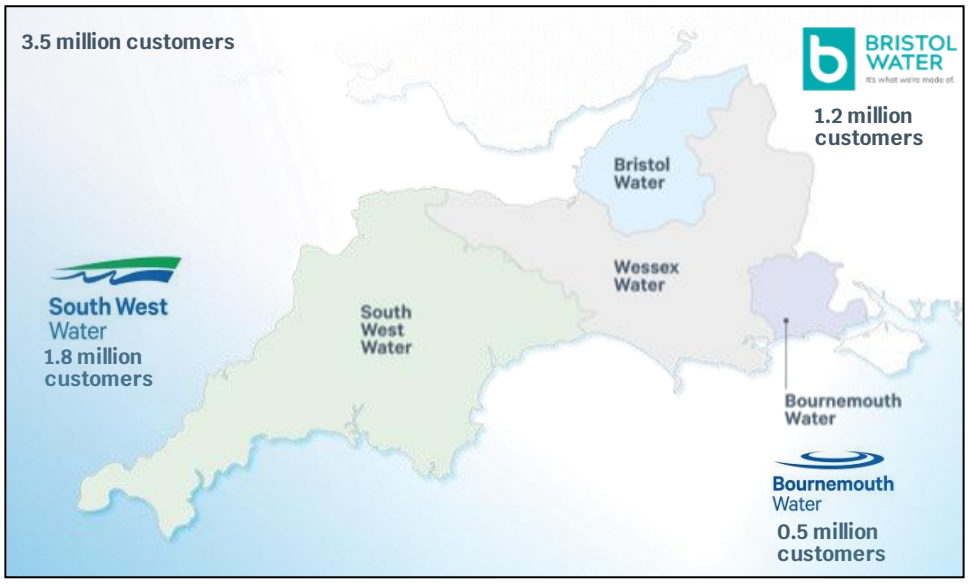
South West Water

BRISTOL WATER
It's what we're made of.

Bournemouth Water

Showcard 1

Areas covered



Showcard 3

What does a water company do?

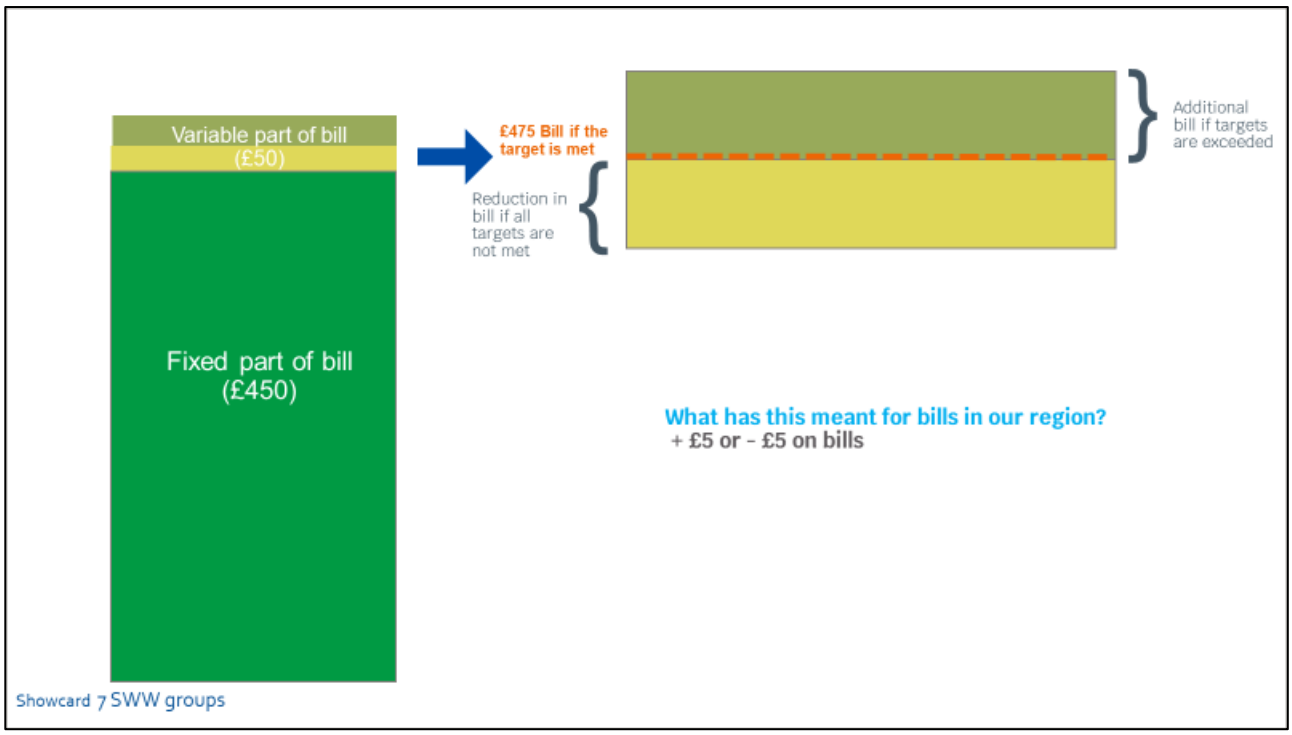
Showcard 2

ODI & BILL VARIABILITY SHOWCARDS

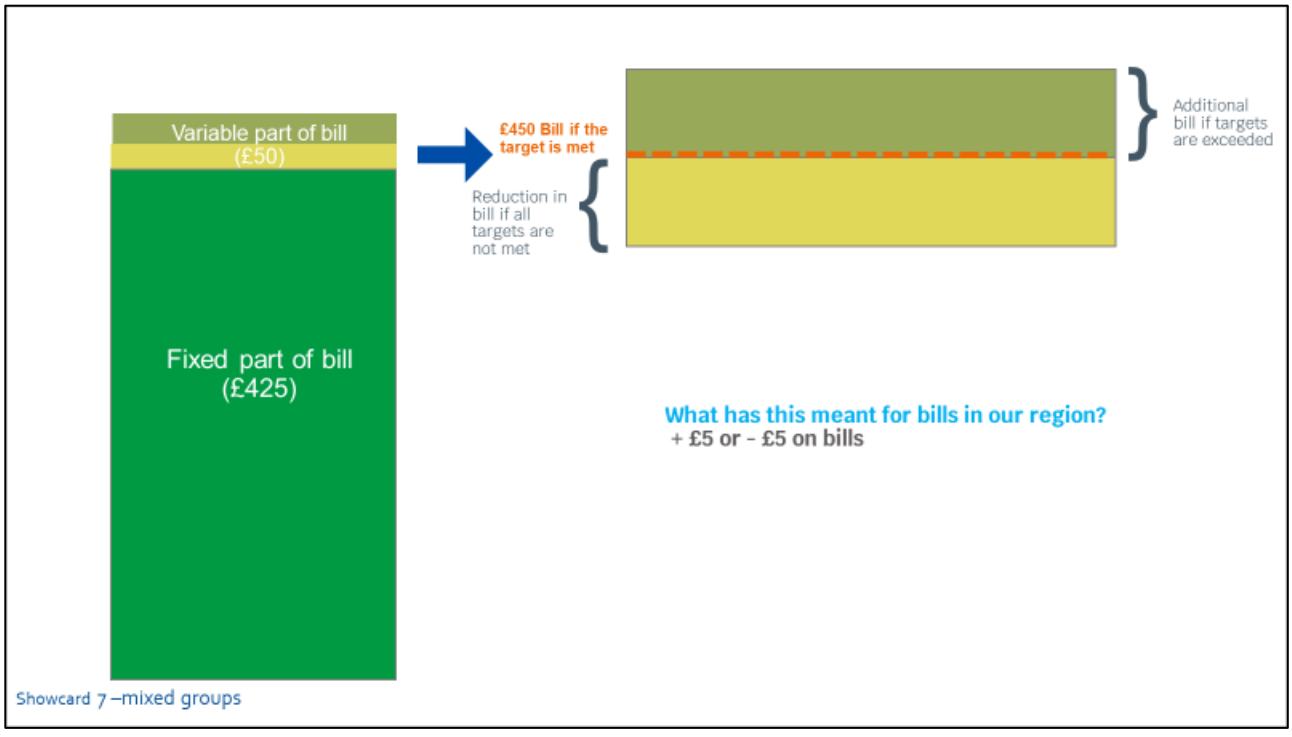
Performance against Targets

- Assessed every year
- Compensate customers if targets are not met
- Pay extra value of delivering further improvements that customers want (beyond the target)
- Encourage innovation
- Reflect what local customers want in this region
- Flexible to change if new information becomes available
- Encourage delivery of wider social and environmental benefits
- Enable comparison across all water companies

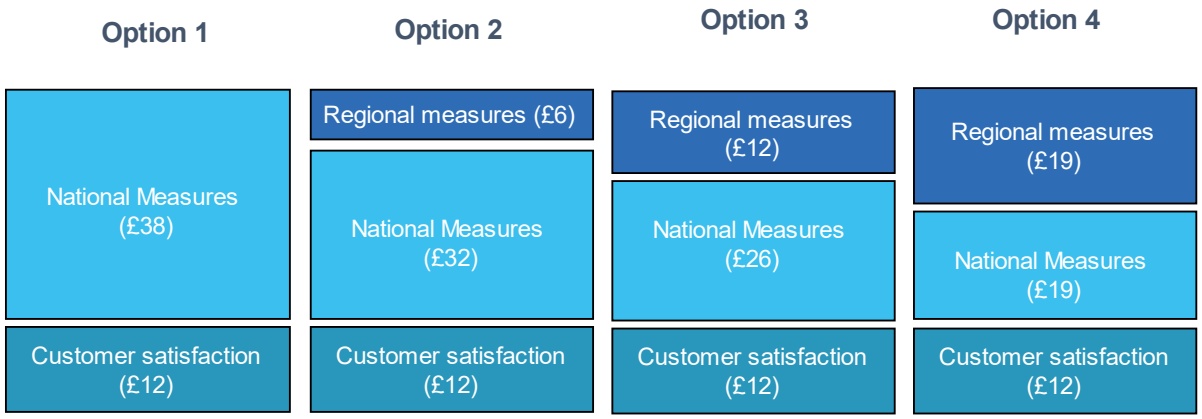
Showcard 8



Showcard 7 SWW groups

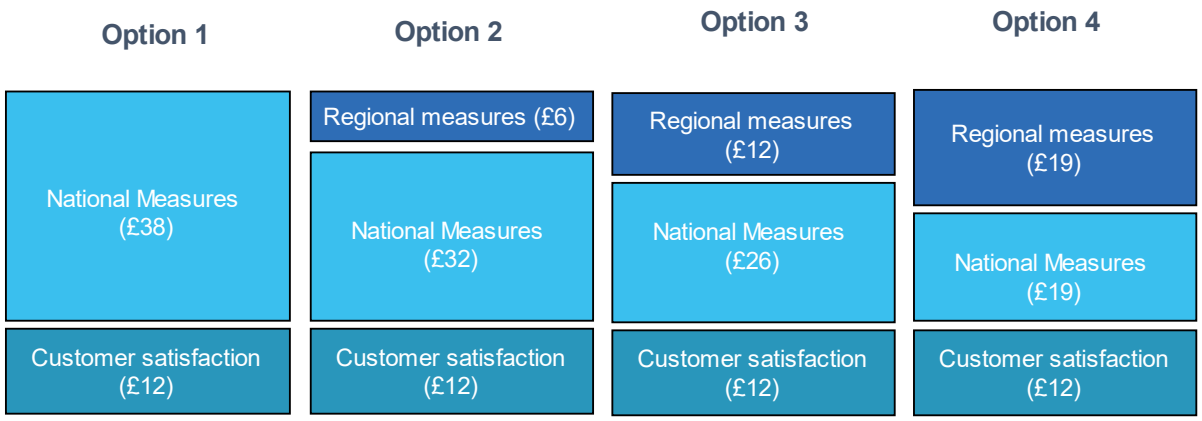


Showcard 7 –mixed groups



For all options:
- **the fixed part of the bill is 450 and the variable part is £50.**
- **the average bill if SWW delivers their targets is £475.**
- **the bill could be £475 plus or minus £50**

Showcard 9 – SWW groups



For all options:
- **the fixed part of the average water company bill is £425 and the variable part is £50.**
- **the average bill if the company delivers their targets is £450.**
- **the bill could be £450 plus or minus £50**

Showcard 9 – mixed groups

BESPOKE PC OPTION SHOWCARDS

Smarter, Healthier Homes - Lead Pipe Replacement

What is it?
Some old water pipes into and inside properties that were installed before 1970 are made from lead. When water is sat in the pipes for a long time small traces of lead may be found in the tap water.

Activities could include:

- Replacing lead pipes - this could be replacing
  - pipes up to the edge of properties or
  - all pipes up to taps in peoples homes
- Installing flow regulators at the same time – which can help prevent excessive pressure

Measures could include:

- The number of properties with pipes replaced
- Traces of lead removed from drinking water
- Reduced leakage

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 cW

Smarter, Healthier Homes – Smart Meters installations

What is it?
Installing smart meters so that customer can see their usage in real time.
This can help customers to understand and manage their use and so reduce their bills.
Real time information can also help identify leaks quickly.

Activities could include:

- Installing new smart meters
- Installing flow regulators at the same time – which can help prevent excessive pressure

Measures could include:

- The number smart meters installed
- The number of flow regulators installed
- Leakage reduced

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 dW

Resilient Water Supplies

What is it?
To deliver excellent drinking water quality with minimal disruptions to supply, that is plentiful for people and the environment.

Activities could include:

- The development of new water resource projects such as desalination and reservoirs
- Improving the connectedness of the network so water can be moved from one area to another
- Reducing the number of communities & customers supplied by only one water source

Measures could include:

- Increased water available (earlier)
- Number of properties connected into wider network and no longer having only 1 source
- A measure of resilience of water supplies

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 eW

Catchment Management

What is it?
Improving water quality by working with industrial and agricultural business to prevent nutrients and other chemicals from going into rivers.

Activities could include:

- Working with farmers, factories and landowners to reduce pollution
- Using natural landscaping to prevent dirty water run-off from farmyards and fields
- Investing in improving and restoring peatlands, bogs, wetlands, fields and woodlands

Measures could include:

- Hectares of land that no longer cause water quality problems
- Monitoring reductions in pesticides or nutrients

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 aW

Reducing Sewer Blockages

What is it?

Sewer blockages occur when non-flushable items (wet wipes, kitchen roll, nappies etc.) are put down them. Especially when they mix with fats.

Activities could include:

- Greater education through initiatives such as "Love Your Loo"
- Providing customers with devices such as fat traps
- Carrying out more frequent sewer cleansing work to reduce the risk of sewer blockages

Measures could include:

- The number of sewer blockages
- The number of customers surveyed changing behaviour

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 g WW

Reducing Rainwater Getting into Sewers (Managing Surface Water)

What is it?

Sewers currently take both rainwater and foul wastewater. Reducing the rainwater entering sewers means there is more room for foul water. This can help prevent storm overflows and save energy.

Activities could include:

- Working with local community groups, local councils and other partners to build rain gardens or soakaways at new housing developments
- Provide smart water butts to households

Measures could include:

- The number of smart water butts installed
- The reduction in water entering sewers

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 f WW

Connected Ponds

What is it?

Water can be stored closer to where it falls, protecting the local environment and providing a local amenity that is pleasant to use. Water can be released back into the environment when needed e.g. for farmers to irrigate or back to rivers to prevent low flows

Activities could include:

- Working with local councils, and other partners to identify suitable sites for community ponds
- Creating new ponds and connecting existing ponds

Measures could include:

- Amount of water slowed down or prevented from entering rivers or sewers
- Total area of connected ponds created/improved
- River water quality or ecological improvements

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 b W&WW

Net Zero – Embodied Carbon

What is it?

Reducing the amount of carbon emissions used in construction.
Water companies are already committed to reducing carbon from their operations.

Activities could include:

- Working with suppliers to use lower carbon construction techniques and materials

Measures could include

- Reduction in carbon emissions from construction

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 hWW

Climate Resilient Catchments – Protecting Works

What is it?
Protecting wastewater treatment works, pumping stations and sewers that are at risk of being damaged by coastal erosion or flooded due to sea level rise and changing weather patterns such as more intense storms.

Activities could include:

- Working with partners and ensure an action plan is in place for all events and works
- Installing flood defences proactively rather than waiting for incidents to occur
- Focussing on the areas most at risk

Measures could include:

- Measuring how vulnerable the infrastructure is to risks such as flooding and extreme weather
- Defences installed

Not important		Somewhat Important		Very Important
5	4	3	2	1

Showcard 11 iWW

BESPOKE PC OPTION RANKING SHOWCARDS

All together - Water

Catchment management

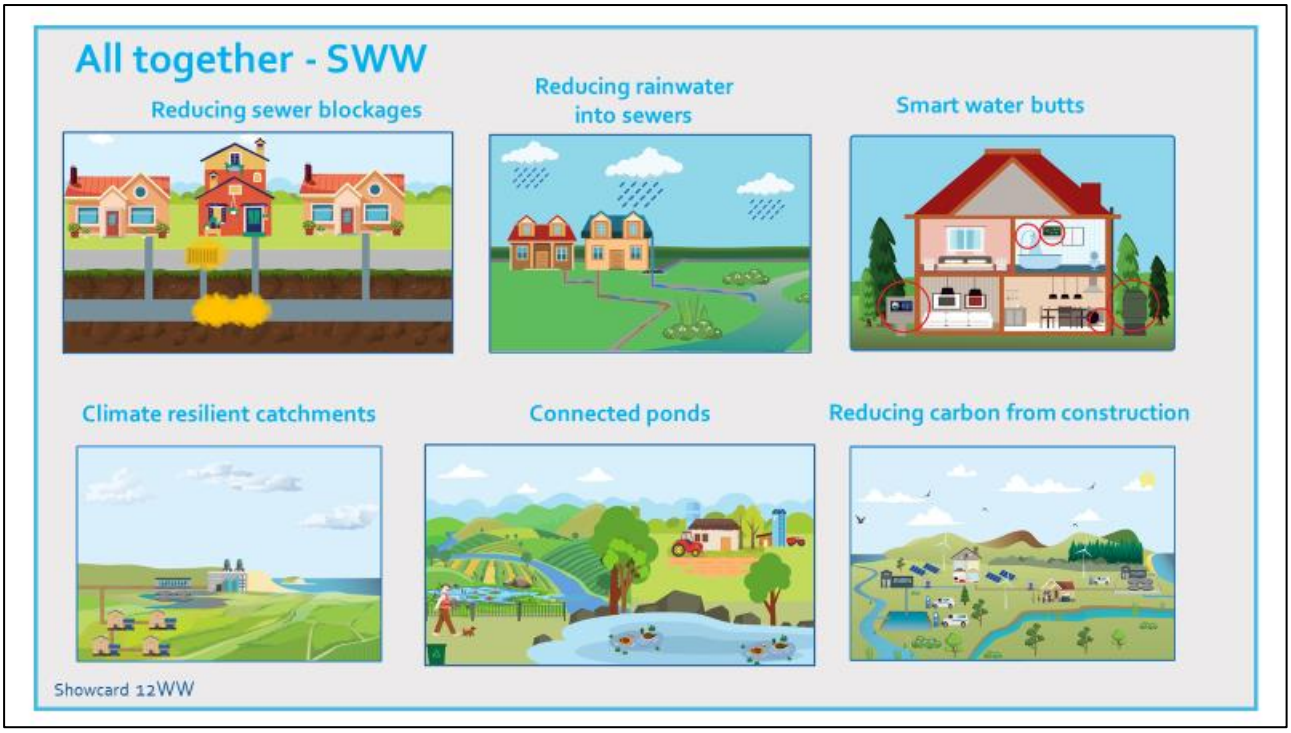
Lead pipe replacement

Smart meters

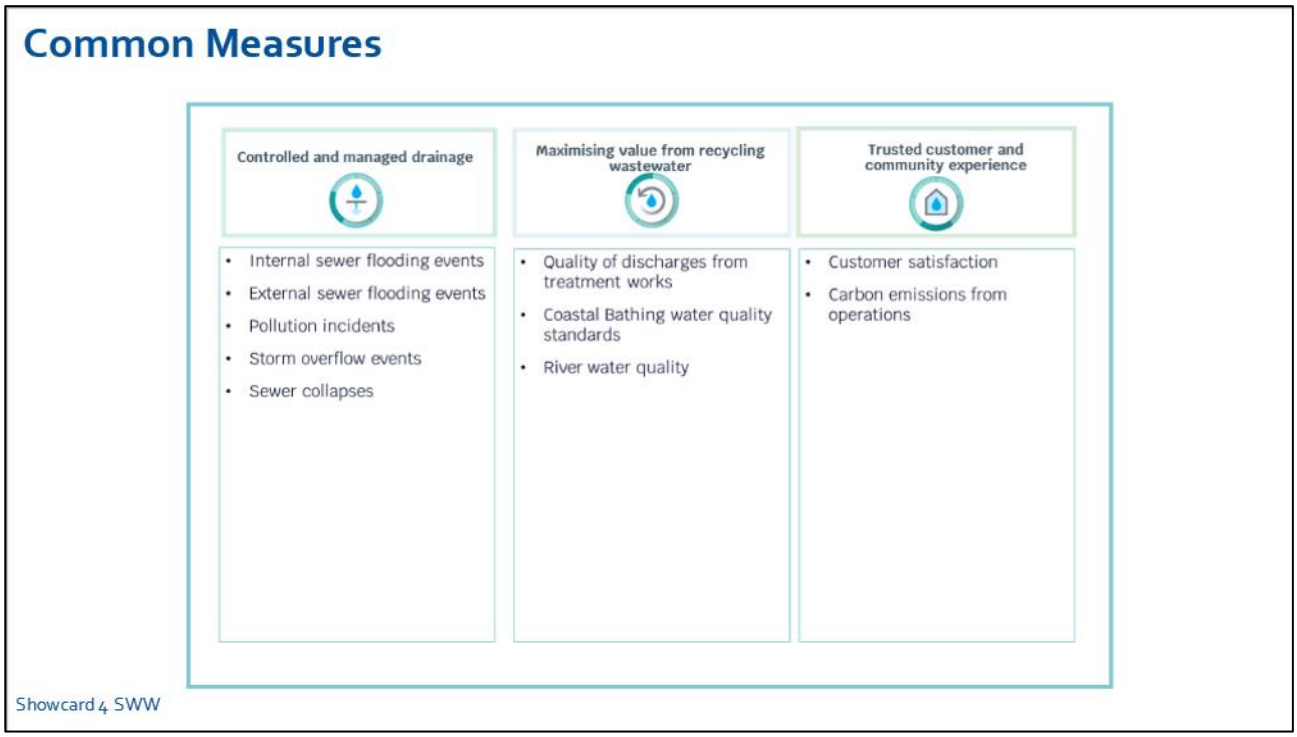
Flow Regulators

Resilient water supplies

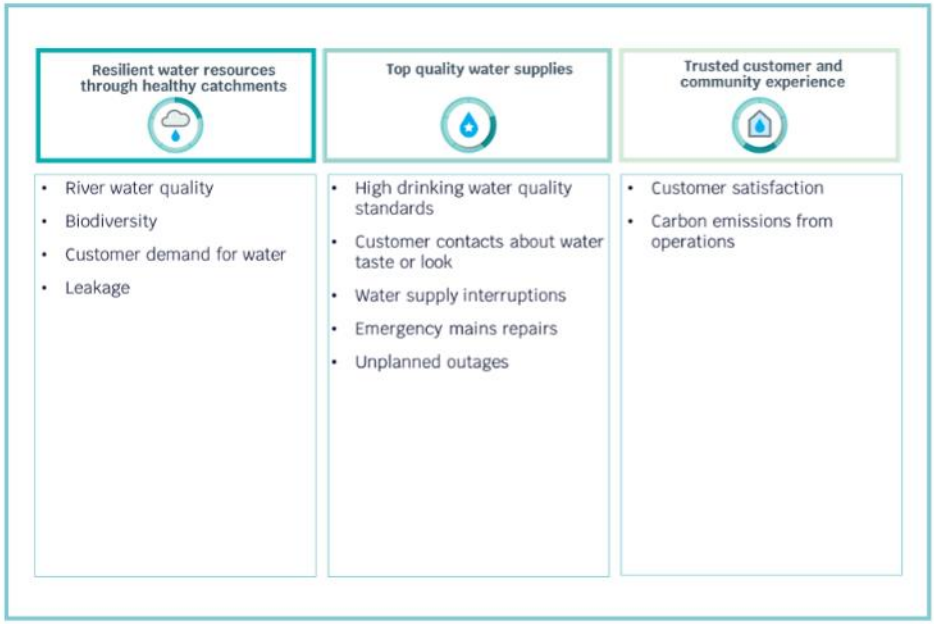
Showcard 12W



PERFORMANCE COMMITMENT SHOWCARDS



Common Measures

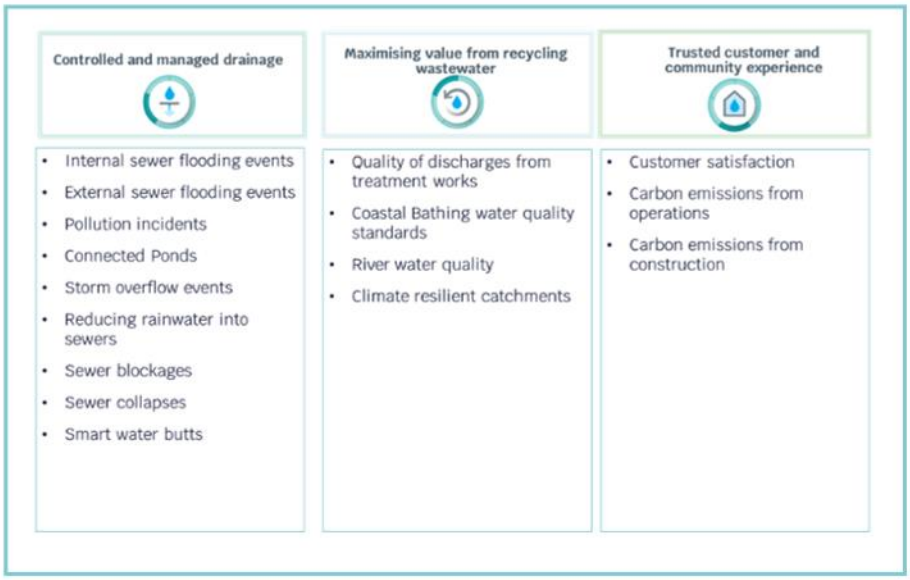


Showcard 4 MIXED

All Measures

Showcard 4 MIXED

All Measures



Showcard 4 SWW

ADDITIONAL SHOWCARDS (GROUPS 1 & 2 ONLY)

Long Term Ambitions

Showcard 4

Resilient water resources

Which will balance the needs of customers and communities

Ambition to 2050

- Meet future demand and boost resilience through connected water resources
- balancing the needs of customers and communities with the environment through careful management of catchments.

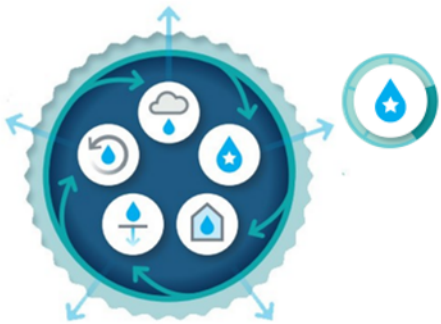
What we will do

- Protect our river flows
- Create greater capacity through new water resources
- Provide high quality water

Showcard 4a

Top quality water supplies

Deliver high quality water and reduce leakage



Ambition to 2050

- Reduce emissions during the treatment process.
- A resilient network
- Fix and identify leaks, monitor water quality and minimise interruptions

What we will do

- Ensure high quality water, with a focus on quality first
- Create resilient, smart networks with real time tracking and management of water pressure, flow and quality
- Reduce leakage further

Showcard 4b

Working with customers

Boost active participations of customers and communities

Ambition to 2050

- Work together with customers and stakeholders to create thriving, low carbon communities and an ecologically rich local environment.
- We create excellent customer and community experiences through every interaction with us.

What we will do

- Boost active participation of customers and communities in the sector and ensure every customer can afford to pay their water bill
- Make it easy for customers to reduce their water consumption
- Decarbonise our operations and increase biodiversity, using nature-based solutions as a default

Showcard 4c

Controlled and managed drainage

Deliver a long lasting wastewater network

Ambition to 2050

- Resilient natural and built Wastewater infrastructure that protects communities and the environment.

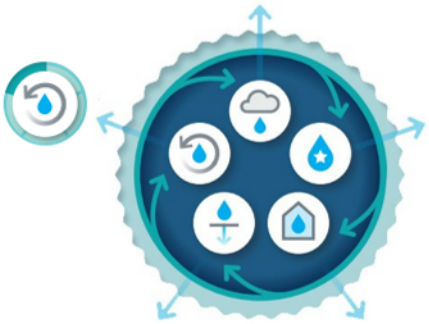
What we will do

- Protect our sewers
- Increase wastewater storage and sewer capacity
- Enhance sustainable drainage to reduce risk of flooding and pollution

Showcard 4d

Maximising value from recycling wastewater

Strive to eliminate waste



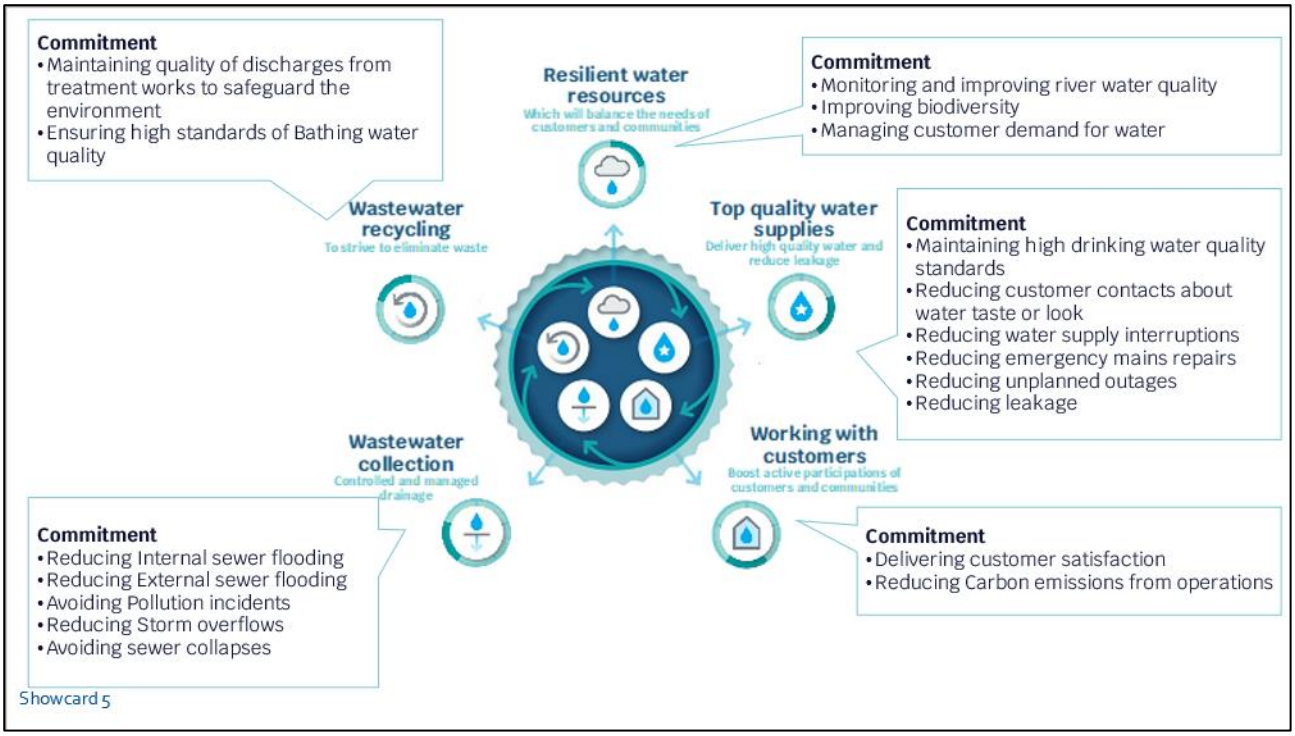
Ambition to 2050

- The full potential value of wastewater to society and the environment as a source of water, nutrients and energy is realised.
- To provide a circular economy where waste is eliminated, resources are circulated, and nature is regenerated.

What we will do

- Increase wastewater recycling and re -use
- Become a net generator of energy
- Return treated water safely to the environment

Showcard 4e



Showcard 5

Appendix D – Pre-reading

South West Water, Bristol Water, Bournemouth Water

Outcome Delivery Incentives Customer Engagement, 2023

1. South West Water, Bristol Water & Bournemouth Water (SBB) - Customer Engagement, 2023

Thank you for your time and involvement. This reading pack provides some background information to help prepare for the session. Please take some time to read through this information before the session.

2. Industry Structure and Who's Who

In England and Wales, Water Companies are responsible for providing their customers with safe, clean water and taking their wastewater (sewage and dirty water that flows into drains) away to be treated. There are also other agencies and public bodies, known as regulators, that make sure that the Water Companies provide high standards of service, at a fair price, as well as protecting the environment.

Water, wastewater, and water and wastewater companies

Water-only companies are responsible for:

- taking water from the environment, treating it to the required high standards and then distributing it via a network of pipes, reservoirs, treatment works and pumping stations to the taps of all customers in their area, 24/7.
- billing customers for their water supply, installing and reading meters.
- Bristol Water and Bournemouth Water are Water-only companies.

Wastewater companies are responsible for:

- collecting the sewage and dirty water, and rainwater and runoff from roofs and hard surfaces that flows into drains, and taking it away via a network of pipes, storage tanks and pumping stations for treatment before it is returned safely to the rivers, 24/7.
- billing customers for their wastewater services

Water and wastewater companies such as South West Water are responsible for both.

The Regulators

Drinking Water Inspectorate (DWI)

The Drinking Water Inspectorate (DWI) makes sure that water supplies in England and Wales are safe and drinking water quality is acceptable to consumers.

Environment Agency (EA)

The Environment Agency is responsible for protecting and enhancing the environment. It works with Water Companies to identify where investment is needed to improve the environment. This may

include reducing the amount of water that water companies can take from the rivers and underground sources and improvements to wastewater returned to rivers.

Consumer Council for Water (CCW)

The Consumer Council for Water is the independent voice for water consumers in England and Wales. It helps consumers resolve their complaints against water companies while providing free advice and support. It is independent and represents household and business customers.

Ofwat

Ofwat's role is to:

- Make sure that water companies deliver their water and wastewater services efficiently
- Set the rules that water companies follow to work out prices to charge customers
- Make sure that water supplies and wastewater services are resilient for the future

Every five years, water companies develop a 'business plan' that sets out how they want to develop their services, and the proposed cost to customers. As customers are not able to choose their water company, water companies must give them a say about what they want from their services and the price they pay. Talking to customers also helps water companies prioritise what to do first or what to do most of – because they are not able to fund everything they would like to do or do all of the things that customers might want them to do.

Companies also have to show to Ofwat that their plans reflect what their customers want – that means refining the plans based on what customers tell them.

3. Pennon Water Businesses - overview

Introduction

Pennon Water Businesses are one of the leading businesses in the UK water sector, providing water and wastewater across the South West of England. Pennon Water own South West Water, Bournemouth Water, and Bristol Water. They provide water and wastewater services to a population of around 3.5 million people stretching from Bristol to Bournemouth, Devon, and Cornwall, including the Isles of Scilly.

Background as to what they are responsible for at a larger scale

Pennon Water Businesses operate a water network over 45,000km, which is the equivalent to stretching around the world. Such extensive infrastructure is needed to balance the needs of not just customers and businesses, but also support one of Britain's most treasured tourist destinations with 2.35 million visitors every year. This puts a strain on the network during the summer months while supporting thriving urban centres like Bristol and Exeter all-year round. Pennon Water Businesses look after a third of all bathing waters in the UK such as Combe Martin and have achieved 100% quality for their 860 miles of coastline.

The map above shows where Pennon Water Businesses operate.

Pennon Water Businesses are responsible for:

- ✓ Collecting water in reservoirs and taking water from rivers or underground under strict controls, that is then treated to a high quality.
- ✓ Transporting treated water to customers' taps through a network of pipes, pumping stations and supply reservoirs. This is called the public water supply.
- ✓ Collecting wastewater from homes and businesses, and transporting it to treatment works through the system of sewers and drains, pumping stations and storage tanks.
- ✓ Treating wastewater before safely returning it to the water environment.
- ✓ Repairing and operating the pipes (including reducing leakage) and treatment works.
- ✓ Preventing pollution of rivers from sewers.
- ✓ Preventing flooding of properties, gardens, and roads from sewers.

Pennon Water Businesses are not responsible for:

- ✗ The water supply pipes and sewers on customers' properties or the pipes inside customers' homes.
- ✗ Preventing pollution of rivers from agriculture, manufacturing, or other sources.
- ✗ Removing litter from rivers, lakes, ponds, and canals.
- ✗ Managing canals.
- ✗ Preventing flooding from rivers and the sea.

4. Water company Performance Commitments

Water companies are currently part way through their five-year business plan for 2020 to 2025. They have service level targets, called 'performance commitments', in every five-year business plan. These targets are based on what customers have previously told companies they would like them to do, and on Ofwat's assessment of what companies should deliver.

Water companies have to provide reliable services, and plan for their services to be resilient to changing weather patterns and demand from consumers. Companies can miss or exceed performance commitment targets for a number of reasons. For example, leaks from pipes happen more often after very cold weather, which can contribute to a company not meeting the target, and flooding from sewers is less likely in dry weather, which can lead to higher performance for sewer flooding service targets.

Ofwat monitors water company performance against each performance commitment every year to see if they have met the service level in their business plan. If companies have not met their commitments, they have a financial penalty and have to reduce bills to customers. If companies have provided better services than their commitments, they can receive a reward by raising bills to reflect the improved service.

The table below shows the areas that water company performance commitments cover.

	Water & Wastewater	Water Only	Wastewater Only
Excellent service everyday	• Customer satisfaction	• Monitoring and maintaining drinking water quality • Reducing water supply interruptions • Reducing customer contacts about how drinking water looks and tastes	• Reducing sewer flooding inside properties • Reducing sewer flooding outside properties These incidents can occur when sewage escapes from a pipe or through a manhole, from a drain or backing up in a toilet.
Looking after the environment	• Improving biodiversity so that land is better able to support nature. • Monitoring and maintaining quality of discharges from treatment works. • Avoiding serious pollution incidents • Reducing carbon emissions	• Managing total demand for water (including leakage and customer use)	• Improving bathing water quality • Avoiding wastewater escaping into rivers and causing pollution • Reducing the use of storm overflows • Monitoring and improving river water quality
Looking after the assets		• Managing water mains to reduce the number of mains repairs required • Reducing unplanned outages	• Reducing sewer collapses

Some more useful definitions:

Drinking water quality - Pennon Water Businesses are required to meet strict legal standards on the quality of drinking water. For example, ensuring that unacceptable levels of pesticides or other chemicals do not enter the water supply. Drinking Water quality is monitored and measured by the Drinking Water Inspectorate (the government agency responsible for drinking water quality standards). The Compliance Risk Index (CRI) is a measure of the risk of water companies failing to meet these strict standards.

Water supply interruptions - to customers' water supply can occur if a water main bursts or if there is a problem at a treatment works.

Unplanned outages – occur when water treatment works are not able to treat the capacity of water they were designed for. In most instances customers are not affected by this reduction in capacity. Pennon Water Businesses are measured against these instances to provide a picture of the ability of the treatment work to perform over the longer term.

Mains repairs - bursts in water main can be caused by tree and root damage, wear and tear, pipes freezing and ground movement. Managing water mains to strengthen or replace the main before bursts happen.

Sewer collapses - can be caused by tree and root damage, wear and tear, pipes freezing and ground movement. Avoiding sewer collapses involves strengthening or replacing the sewer before collapses happen.

Bathing water quality – is the water quality at coastal bathing waters.

River water quality - Pennon Water Businesses undertake activities to improve rivers agreed as part of the Water Industry National Environment Programme with the Environment Agency. This includes investment to remove phosphorus from the water returned to rivers. Phosphorus has some effect on habitats for fish and wildlife and can lead to algae (green slime) in the water.

Pollution incidents – Pollution incidents occur when wastewater is discharged or spilled into rivers and causes pollution. The majority of these incidents are minor. Serious pollution incidents impact the environment.

Discharges from treatment works - Wastewater that enters the sewers is treated by Pennon Water Businesses before being returned to the environment. Pennon Water Businesses are required to meet standards on the quality of the water that is returned.

Storm overflows – when there is heavy rain, the sewer system is designed to allow wastewater combined with rainwater to spill into rivers. Storm overflows act as relief valves in the sewer system to reduce the risk of sewage flooding properties.

Biodiversity – more biodiverse environments are better able to support nature and are more resilient to the impacts of climate change, flooding and drought.

Carbon emissions - contribute to climate change. Water companies want to especially reduce the emissions produced during operations and when using concrete to deliver their long-term goal of being carbon neutral.

5. Other sources of information

That's all the reading for our session, but here are some more links for other information about the water industry in general.

Pennon Group	https://www.pennon-group.co.uk/
DEFRA	https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs
Environment Agency	https://www.gov.uk/government/organisations/environment-agency
Ofwat	https://www.ofwat.gov.uk/
CCWater	https://www.ccwater.org.uk/
WaterSafe (Lead in Drinking Water)	https://www.watersafe.org.uk/news/latest_news/watersafe_film_highlights_dangers_of_lead/

During our session we will be exploring your views on how the services that your water company provides should be measured and what their priorities should be. Please take a little time to read this background information and think about your experience of water and wastewater services, how they impact you, your family and others, and discuss with your family and friends.

Assurance

Document Assurance

Version	Author	Approval	Proof Read
V1.0	Kerry Grafton	Melinda Acutt	Conor Lawrenson
V1.1	Kerry Grafton	Melinda Acutt	Conor Lawrenson

Version History

Version	Date	Issued to
V1.0	28/04/2023	South West Water
V1.1	30/04/2023	South West Water

File Name

SBB Performance Commitment and Outcome Delivery Incentive Engagement V1.1_web ready.docx

ICS Consulting Ltd
Peartree House
Main Street
Little Smeaton
North Yorkshire
WF8 3LG

www.icsconsulting.co.uk