Engagement summary

PR24 Willingness to Pay - Multi-stage programme

Objectives

This is part of a large programme to keep the Willingness to Pay values understood and accurate. When making choices between the timing and scope of different potential improvements, we can weigh up the costs and benefits using our set of monetary values that are attributed to each of the 150 aspects of performance and service that we use to assess any solution.

Format	Customer survey online, telephone and face to face
Households (number)	1,752
Non households (number)	202
Vulnerable customers	170
Future customers	
Retailers	
Stakeholders	
South West Water	✓
Bournemouth Water	✓
Bristol Water	✓

Impact on our plan and ways of working

The research has helped us to understand the benefits of investment and the maximum bill increase that customers are willing to pay for improvements to service and the environment.

Testing these values with customers ensures that we can prioritise improvements, apply cost benefit principles to our plans and ensure we understand the overall envelope of bill increases customers will accept.

Topics			
Storm overflow	✓	Drinking water quality	✓

Key messages – what matters most

What we did

- We completed a multi staged approach to testing the Willingness to Pay this included:
- The main stage of 1,248 customers in 2022, with the purpose to repeat the Stage 1 Willingness to Pay (WTP) survey completed at PR19 to test if customers value for the service levels improvements have changed significantly from 2017.
- Combined storm overflows and pollution in 2023, to update the societal valuation of Combined Storm Overflows.
- They were survey based stated preference (SP) approach with representative sample of household and non-household customers.
- Our WTP research has helped us to understand the benefits of investment and the maximum bill increases customers are willing to pay for improvement to service and the environment. Testing these values with customers ensures we can prioritise improvements, apply cost benefit principles to our plans, and ensure we understand the overall envelope of bill increases customers will be willing to pay.

What matters most

The research shows that overall appetite for bills to increase to deliver more outcomes has increased since PR19. The willingness to pay for specific service changes has stayed broadly similar to levels at PR19, with minor ups and downs only, confirming that customers do expect to see more outcomes from any increased bill.

Highlights from the research include:

- **Sewer flooding –** internal and external sewer floodings remain a high priority for customers with WTP at similar levels to PR19, reflecting that customers continue to receive sector leading performance but this is an area where failures are seen as particularly egregious and we need to at least maintain the current performance
- **Bathing water quality –** similar to incidents of sewer flooding, bathing water quality remains a high priority for customers, with levels of WTP that have remained similar to PR19
- **Pollution incidents –** pollutions is a growing area of importance, and we have seen slight WTP increases since PR19. Pollution is seen as a broad umbrella for wastewater, environmental performance and storm overflows
- **Supply interruptions –** WTP has increased compared to PR19, largely driven by non-households who value any interruptions to supply highly
- **Water quality –** WTP has slightly lowered reflecting how good customers tend to find service and that most customers want to

Water resources	✓	Net zero/ climate change	✓
Nature	✓	Affordability	✓

see their service maintained and that we already provide a good service in this area

- **Water resources –** WTP to reduce leakage has continued to be high. The WTP to avoid hosepipe bans has reduced, as customers have experienced this in 2022 and fond it mostly manageable, and do not have high WTP to improve the frequency from the current level of once every c.20 years

Are there differing views?

- The WTP of those on higher incomes (Affluent segment) is significantly higher than for the other groups.
- In the storm overflows and pollutions stage the segmentation analysis found willingness to pay to achieve further reductions in pollutions and overflow spills as higher in the SEG AB group. There were no differences found between Cornwall/Devon or Coastal/Non-Coastal.

Next steps

These monetary values are highly robust and are used for developing our business plan.

Date	2022 2023	Supplier	ICS