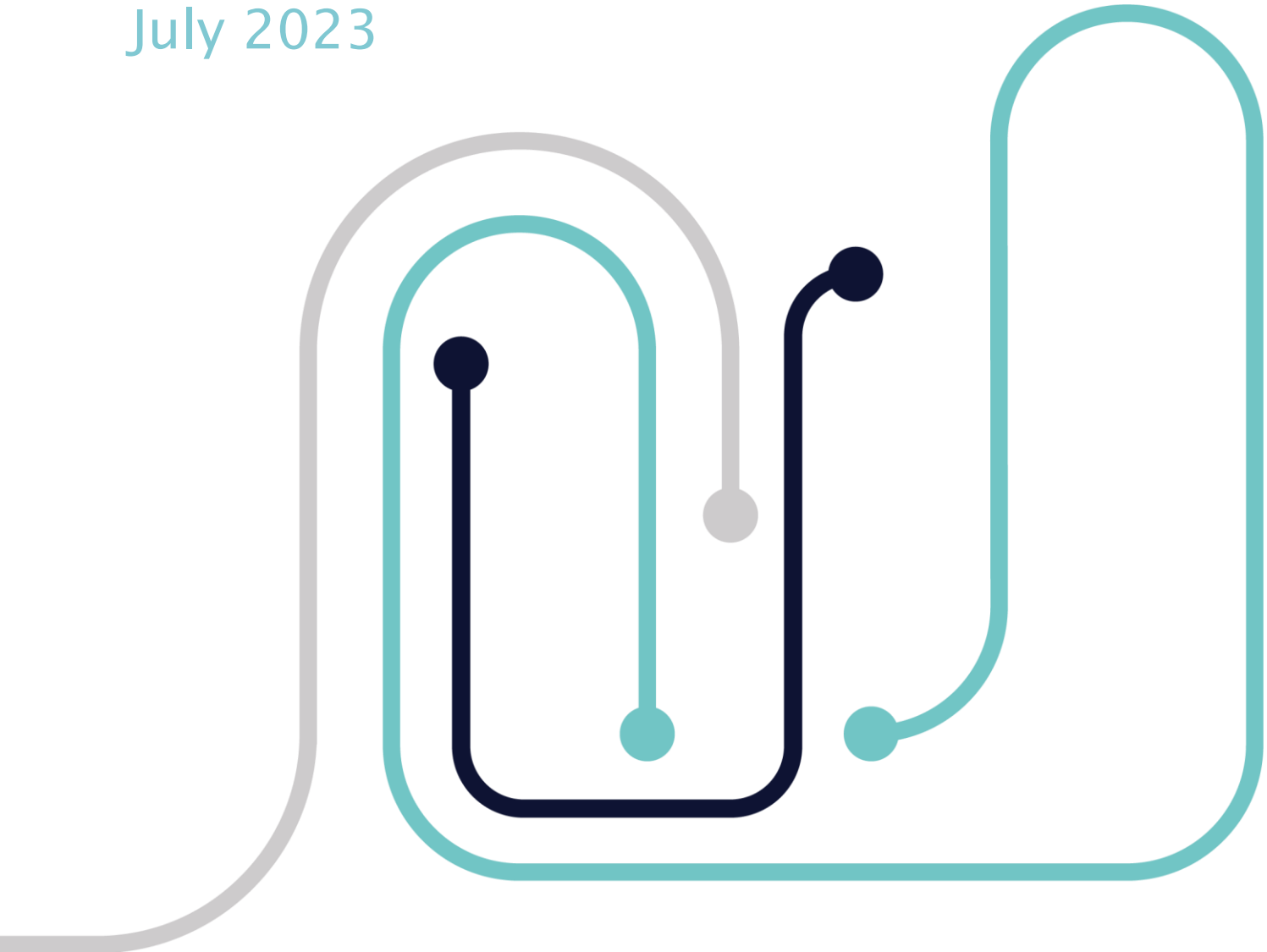
ICS

South West Water

Business Plan and Long-term Strategy Testing

Customer research

July 2023



Contents

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Executive Summary

South West Water (SWW) is currently developing and testing its business plan for PR24, which will be submitted to Ofwat in October 2023. Ongoing customer engagement forms an essential part of the business planning process, and customers have been consulted throughout development of the plan.

Ofwat's guidance on long term delivery strategies requires that ambition and strategy should be informed by customer engagement. They expect that engagement should support customers to inform the company's long-term ambition for PR24 and beyond, focusing on areas which customers can give meaningful input on.

As their business plan and long-term strategy are developed, SWW wishes to understand customers' views on the urgency for improvement, taking into account how this is balanced against other factors such as future uncertainties and bill impacts for the next period 2025-2030.

SWW has commissioned ICS Consulting to undertake qualitative research to understand customer views on the pace of investment. Following research to understand customer views on their ambitions in the long-term, this project focusses specifically on the pace with which investment is delivered between now and 2050 It tests the PR24 business plan from the perspective of its long-term implications and how it integrates with longer-term strategy, building on the ongoing programme of research supporting PR24.

ES.1 Research objectives

This research explores customers' preferences for the pace at which South West Water should progress service and environmental improvements for their five ambitions. The research focuses on the next 5-year business planning period from 2025 to 2030, with the pace of improvements set within the context of the implications for delivery of these ambitions over the longer-term period to 2050.

The objectives of this research are to:

- Understand customers' views on SWW's five ambitions, in particular those which are deemed most urgent to improve and the speed of those improvements. The five ambition areas are:
    - Resilient water resources through healthy catchments
    - Top quality drinking water
    - Controlled and treated wastewater flows
    - Protected and enhanced natural resources
    - Trusted customer and community experiences
- Further explore the investment areas that support delivery of each of the five ambition areas to understand customers' priorities for pace of investment within the 2025-2030 period.
- Understand how the overall bill impacts influence customer preferences for the pace of investment and improvements.

ES.2 Approach

The research was implemented using online focus groups with six separate groups of customers. The research materials (topic guide, showcards, and pre-reading) were developed with South West Water. The online groups support polls and interactive on-screen exercises, to increase engagement and promote discussion.

In total, 47 participants were involved in the in-depth discussions. Groups involved a cross-section of SWW customers (including a range of age, socio-economic groups across Devon and Cornwall). All customers were responsible for their water and sewerage bills. Customers were also provided with a

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pre-reading pack which enabled them to enter the focus group session with an overview of SWW's strategic direction and its context.

All sessions took place in June 2023. The research was implemented online using the Visions Live platform (an online qualitative research host). Each focus group was approximately 90 minutes.

ES.3 Key findings

Customers expect growing population and hotter, drier summers will have the biggest impact on SWW and the services it provides.

They prioritise challenges which already affect them as the most important for SWW to address. Customers also link the growing population and climate change with the need for infrastructure improvements.

Customers' views on the priority and urgency of improvements to meet SWW's Strategic Direction are strongly influenced by their awareness of current issues.

Of SWW's five ambitions, controlled and treated wastewater flows and resilient water resources through healthy catchments are considered the most urgent areas for improvement. This view was consistent across the research, although customers' preferences for the pace of improvements to controlled and treated wastewater flows are tempered by the scale of the bill impacts.

Improvements to water resources are considered to be more urgent than improvements to drinking water quality, largely because drinking water quality is already considered to be high.

Customers feel environmental improvements that directly impact their local area and experience (e.g. impacting rivers and bathing waters) are more urgent than wider environmental improvements such as carbon reductions. They prefer a measured approach to improvements for protected and enhanced natural resources, recognising the need for improvement but considering other areas to be more urgent.

Trusted customer and community experiences are the lowest ranking priority for speed of improvement, despite customer concerns regarding trust, transparency and openness.

Customers largely endorse SWW's proposed plan.

This qualitative research project shows that customers broadly support SWW's proposed plan in terms of the urgency of improvements to meet SWW's long-term ambitions. They favour the medium or faster plan for investment. Their decisions are driven largely by price sensitivity.

The main drivers for customers when selecting their overall plan (at ambition level) are cost and bill impact, leading customers to prefer the medium-term plan for 2025-2030. This masks customer preferences for faster options to address leakage and to replace lead pipes, with half of the participants opting for faster investment for these two investment areas when considered individually.

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1 Introduction

1.1 Background to the project

South West Water (SWW) is currently developing and testing its business plan for PR24, which will be submitted to Ofwat in October 2023. Ongoing customer engagement forms an essential part of the business planning process, and customers have been consulted throughout development of the plan.

Ofwat's guidance on long term delivery strategies requires that ambition and strategy should be informed by customer engagement. They expect that engagement should support customers to inform the company's long-term ambition for PR24 and beyond, including the phasing of key investments, by focusing on areas which customers can give meaningful input on.

> *"Challenge should focus on important and material or urgent issues which companies should incorporate into their strategies. Engagement should support customers to inform the company's long-term ambition and the phasing of key investments."*
>
> ***OFWAT'S PR24 & BEYOND: FINAL GUIDANCE ON LONG-TERM DELIVERY STRATEGIES***

Ofwat's Customer Engagement Policy also recommends that companies' research programmes should be continual, including specific and relevant research for informing business plans and long-term delivery strategies, to enable areas of concern or change to be more easily identified and acted on.

In developing their long-term strategy, SWW has consulted over 20,000 customers[1] who consistently rank the provision of safe drinking water and removal and treatment of wastewater as their highest priority. SWW has also identified that the protection of the environment and responding to climate change has become an increasing priority over the past five years and that affordability remains a key consideration.

1.2 Project objectives

As their business plan and long-term strategy are developed, SWW wishes to understand the speed of investment in improvements that customers favour, taking into account how these impact on the proposed investment for the next period 2025-2030.

They wish to understand customers' views on the urgency for improvement, balanced against bill impacts and other factors such as future uncertainties. Using key future challenges such as population growth and climate change, including hotter, drier summers, increased extreme weather events and rising sea levels sets the context for customers to discuss the pace of improvements in water and wastewater services.

SWW has commissioned ICS Consulting to undertake qualitative research to understand customer views on the pace of investment. Following research to understand customer views on their ambitions in the long-term, this project focusses specifically on the pace with which investment is delivered between now and 2050, testing the PR24 business plan from the perspective of its long-term implications and how it integrates with longer-term strategy. Slower, medium and faster paced investment options are explored to identify customer preferences for the speed of improvement towards achieving SWW's 25-year ambitions across a range of key investment areas.

[1] SWW 'Our Strategic Direction to 2050', July 2023 (draft)

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This builds on an ongoing programme of research surrounding PR24 and its implementation.

1.3 Report structure

This report presents the findings from online focus groups with domestic SWW customers, testing their response to business planning for PR24.

The report is structured as follows:

- Introduction (Section 1)
- Research Process (Section 2)
- Key Findings (Section 3)
- Conclusions (Section 4)

The report is supported by the following appendices:

- Appendix A: Topic Guide
- Appendix B: Showcards
- Appendix C: Pre-reading

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2 Research process

2.1 Research objectives

This research explores customers' preferences for the pace at which South West Water should progress service and environmental improvements for their five ambitions. The research focuses on the next 5-year business planning period from 2025 to 2030, with the pace of improvements set within the context of the implications for delivery of these ambitions over the longer-term period to 2050.

The objectives of this research are to:

- Understand customers' views on SWW's five ambitions, in particular those which are deemed most urgent to improve and the speed of those improvements. The five ambition areas are:
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- Further explore the investment areas that support delivery of each of the five ambition areas to understand customers' priorities for pace of investment within the 2025-2030 period.
- Understand how the overall bill impacts influence customer preferences for the pace of investment and improvements.

2.2 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.

A pre-reading exercise was developed together with South West Water, which includes an introduction to SWW, including its role, the area it covers and its relationship with regulatory bodies, followed by a description of SWW's improvements over the last 30 years and the scale and cost of those changes. This enables customers to enter the focus group session with an overview of SWW's strategic direction by setting the context for how SWW's past and current plans will impact water and wastewater services in the future. It is designed to ensure that customers can give informed and reasoned views during the focus groups themselves. The full pre-reading materials can be found in Appendix C.

The topic guide for the sessions was carefully structured to cover the research objectives. The research materials – including topic guides, show materials and pre-reading – are provided for reference in Appendices A to C respectively.

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

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Table 2-1: Overview of the topic guide

High-level topic	Focus on understanding customer views
Introduction to SWW	This section aims to introduce participants to the session, check their understanding of the background reading, and encourage the participants to talk and engage with the session.
Long-term planning and future challenges	This section introduces long-term planning and sets the context for the sessions, including a discussion of customers' overall priorities. This includes simple exercises which, as well as collecting customer views, aim to introduce the Visions Live technology. This helps the customers get used to the format of exercises before moving on to more complex questions.
SWW's strategic direction	Here we develop an understanding with customers on the speed of improvement, and which of the five key ambitions they feel are most urgently in need of improvement. This allows us to record their preferences, without the influence of bill impacts.
Investment areas	This section introduces the investment areas that make up each of the five ambitions and explores customer preferences for each investment area in terms of the pace of investment, with a focus on the period 2025-2030.
Investment plan	The aim is to review the business plan as a whole to understand whether the overall bill impacts change customer preferences. This also allows for comparison to preferences from the ambition section without bill impacts during analysis.
General feedback and close	Provides a final opportunity for customer questions.

2.3 Focus group organisation

South West Water household customers were engaged in six online focus groups which took place in June 2023.

In total, 47 participants were involved in the in-depth discussions. Groups involved a cross-section of SWW customers (including a range of ages, socio-economic groups, and urban, rural and coastal locations). All customers are responsible for their water and sewerage bills.

The research was implemented online using the Visions Live platform (Figure 2.1). The online groups support polls and interactive on-screen exercises, to increase engagement and promote discussion. Each focus group was approximately 90 minutes.

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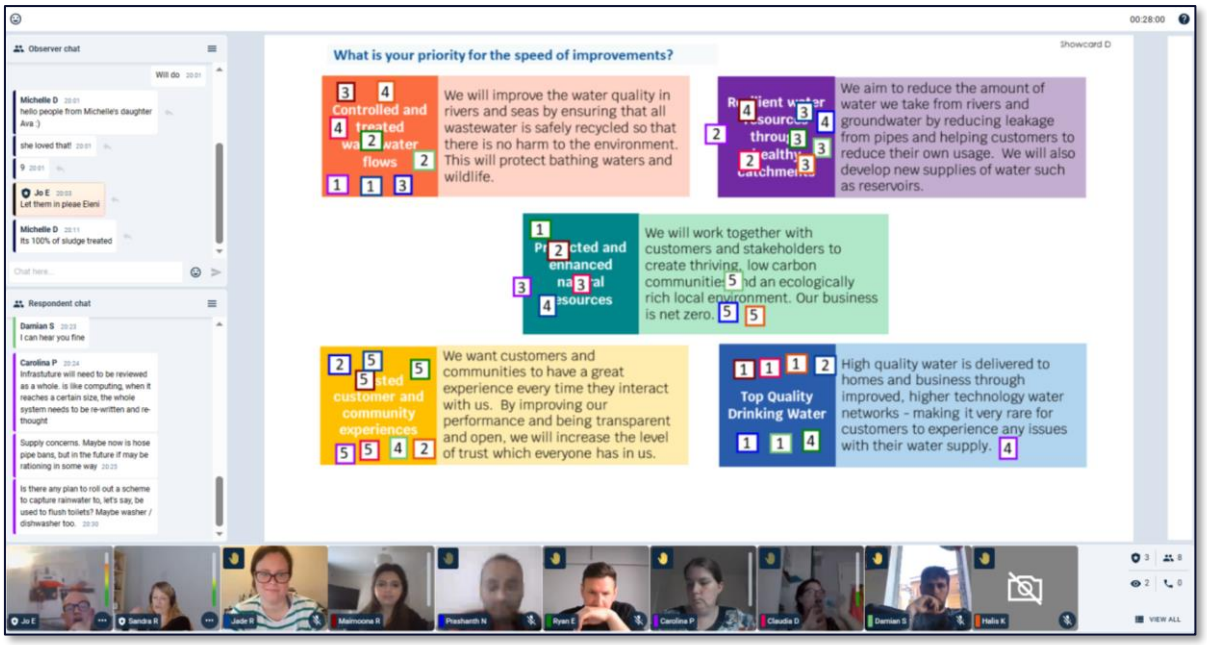

Figure 2.1: Visions Live online platform

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 similar numbers 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 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 2-2 shows how the recruitment was structured for each group.

Table 2-2: Session Summary

Group	SEG	Age	Gender	Area
Group 1	Mixed	46+	Mixed	South West
Group 2	Mixed	18-45	Mixed	South West
Group 3	Mixed	18-45	Mixed	South West
Group 4	Mixed	46+	Mixed	South West
Group 5	Mixed	46+	Mixed	South West
Group 6	Mixed	18-45	Mixed	South West

As questions were presented, participants were invited to give their direct feedback to questions presented on a whiteboard, as well as discuss amongst themselves. All sessions made use of online voting as a way of summarising customer views.

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

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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 allowed them to 'raise their hand' to speak, address any technical problems, and add comments while other participants were speaking to avoid 'talking over' others and ensure all views could be captured.

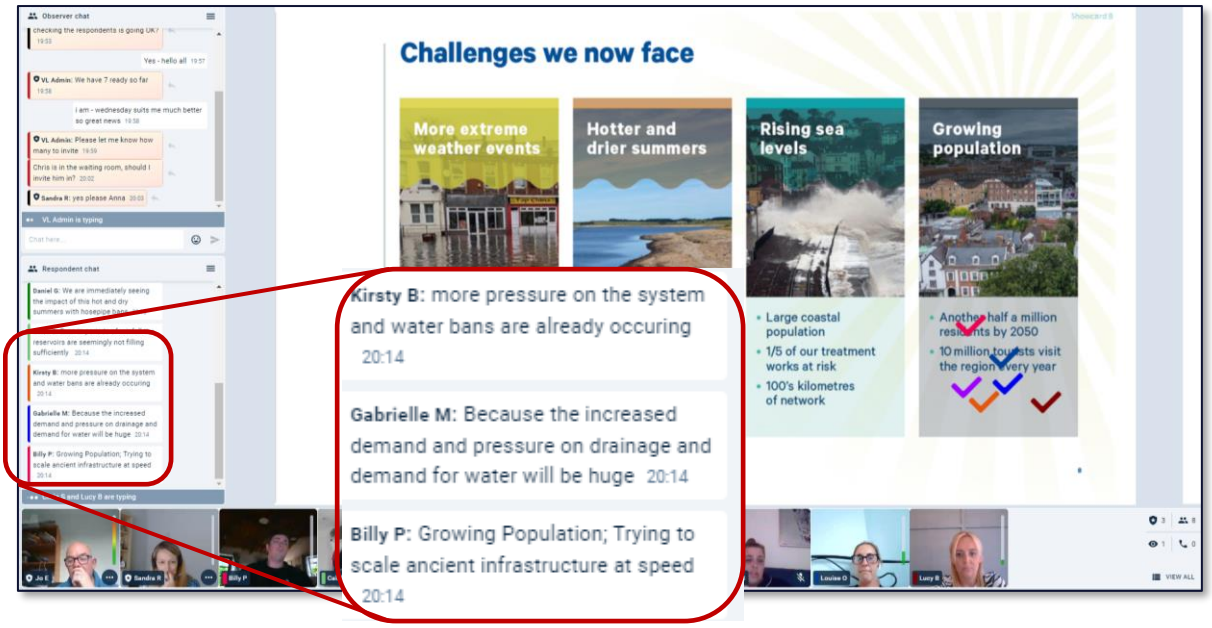

Figure 2.2: Use of the respondent chat on Visions Live

The voting exercises and visual prompts worked well to enhance participant engagement, keeping the sessions lively and active as well as providing opportunity to open discussion. On-screen interaction and video technology also enabled participants to relate to one another.

2.4 Profile of customers engaged in the research

In total 47 SWW customers were engaged across six focus groups.

The groups were structured to include a range of ages and socio-economic groups (SEG)[2] to capture multiple viewpoints. Although an appropriate distribution of SEG groups were identified at recruitment, there were a number of customers in the C2DE category that were unable to attend their session at the last minute and so could not be replaced. Whilst this resulted in a higher proportion of

[2] 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.

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ABC1 customers for this research project, review of the findings does not indicate any significant differences by SEG.

All groups included those with and without meters, as well as those with long-term health issues and disabilities within their household.

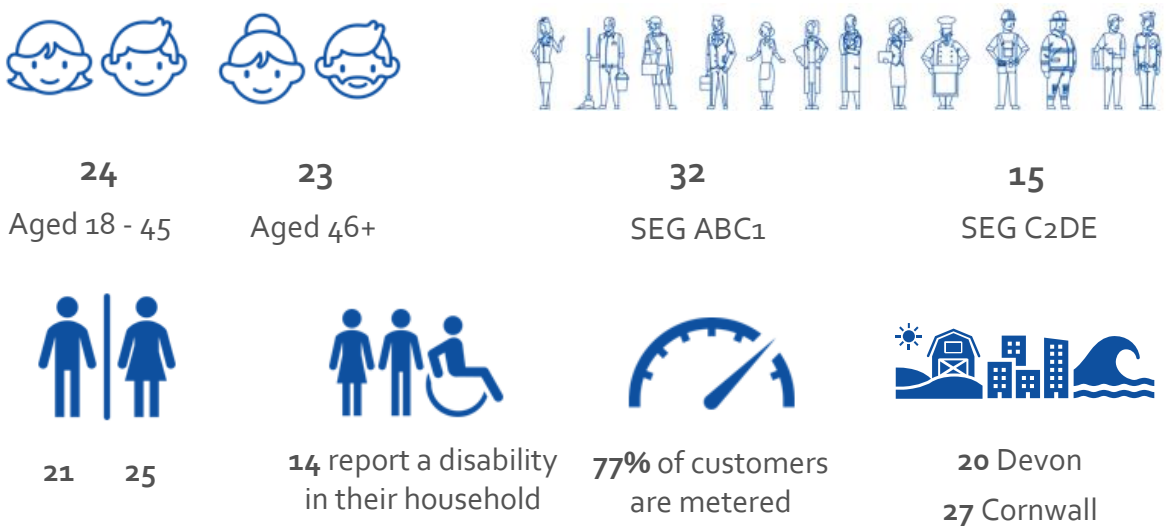

Figure 2.3: Profile of participants

The sample includes:

- Good mix of ages, occupations, and a balance of genders.
- 14 respondents who identify as having someone in the home with a long-term physical or mental health issue.
- 36 participants who are metered and 11 who are unmetered.
- 13 participants whose annual household income is less than £16,500
- 15 participants with children under 18 living at home
- 17 who rent their home

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3 Key Findings

3.1 Challenges facing the South West region

Summary of findings

- Customers prioritise challenges which already affect them as the most important to address.
- They consider population growth and hotter, drier summers will have the biggest impact on SWW and the services it provides.
- Customers link growing population and climate change with need for infrastructure improvements.

Customers ranked growing population and hotter, drier summers as the greatest challenges facing the South West, which are likely to impact South West Water's services (figure 3.2).

Customers are not surprised by the challenges facing the SWW region. They consider all these challenges to be a priority and feel they are interdependent.

> *"Population increase with weather extremes is a challenge we face now and for the future."*
>
> **Male, C2DE, 18-45**
>
> *"The main concern is the tourists… That's when the water scarcity also develops so that is going to be a challenge which we need to face."*
>
> **Female, ABC1, 18-45**

Customers tend to prioritise the challenges that have a more direct and tangible impact on their lives. They acknowledge the impact of population growth in the southwest, typically referencing housing development and migration to the area. The level of tourism in the southwest remains a particular concern, a finding consistent with other research projects.

Awareness of climate change is focussed on hotter and drier summers with customers highlighting recent weather in the region as well as global trends. The recent dry weather and hosepipe bans were cited in every session as evidence of the issue.

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Figure 3.1: Showcard - Key challenges facing South West Water

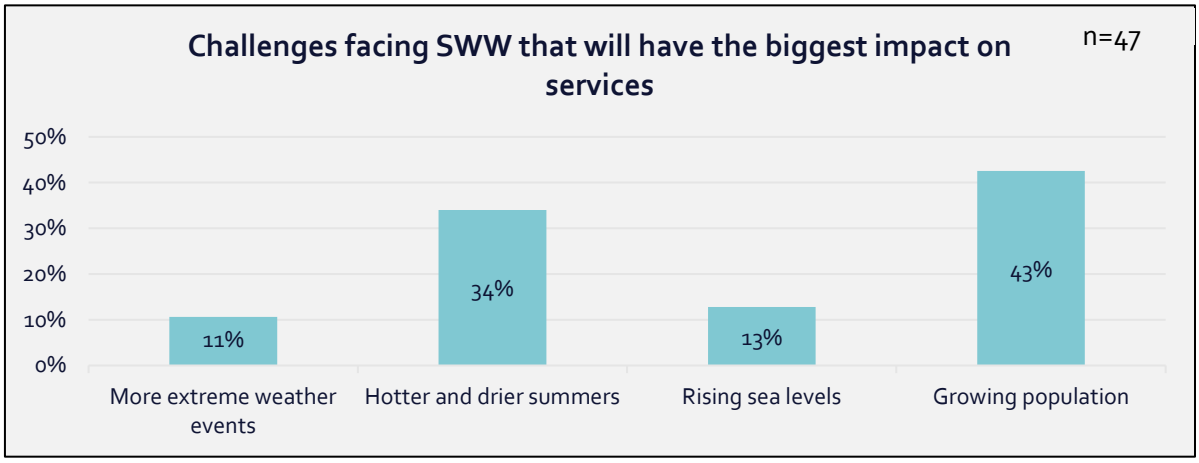

Figure 3.2: Customer views on the challenges facing SWW

A smaller proportion of customers recognise the potential impact of rising sea levels on SWW. They are concerned about the level of risk, given that most of SWW's customers live along the coast. Some customers stress the importance of considering external environmental factors in planning, recognising they cannot be controlled.

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"I don't think we have the resources to cope with the extra houses and everything else."

Female, C2DE, 46+

"I've seen a lot of issues with the rising sea levels, so that was a pretty prevalent one for me."

Female, ABC1, 18-45

"We are immediately seeing the impact of these hot and dry summers with hosepipe bans."

Male, ABC1, 18-45

"We see more houses being built, we see the pressures on the network, we see the hotter drier summers."

Female, ABC1, 18-45

Customers appreciate the strain placed on water resources and infrastructure from both population growth, and the impact of climate change. They recognise the need for SWW to address these challenges to ensure ongoing water supply and efficient infrastructure. Some customers expressed a wish for SWW to proactively prepare for the challenges and focus on long-term planning. However, their support is often tempered by views that costs should not be passed on to customers but funded from profits or shareholders.

Water resources are at the forefront of customers' minds, which is not unexpected given the coverage of the recently announced temporary use ban (TUB) in Devon, and the ongoing TUB in Cornwall.

Reservoirs remain a preferred option, customers frequently mention the urgent need for more storage to ensure sufficient water supply. Unprompted, many customers do not consider that 3 new reservoirs in the last 16 years were satisfactory to meet the growing population and tourism demands. A small proportion of customers recognise the challenges posed by infrastructure of this type, acknowledging cost and planning.

"The area I live in regularly has issues with the infrastructure not being able to cope. "

Male, ABC1, 46+

"We've had this really, really low reservoir situation for almost a year now, and that is not going to change, it is going to get hotter and drier."

Male, ABC1, 46+

"From reservoirs to problems with coastal populations and treatment plants near the coast, and the building of new homes – all of these things actually require investment."

Female, C2DE, 46+

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3.2 Customer priorities for SWW's Strategic Direction

Summary of findings

- Of SWW's five ambitions, controlled and treated wastewater flows and resilient water resources through healthy catchments are considered the most urgent areas for improvement.
- Their views on the urgency of improvements are strongly influenced by their awareness of current issues.
- Customers' preferences for the pace of improvements to controlled and treated wastewater flows are tempered by the scale of the bill impacts.
- Customers prioritise speed of improvement to water resources over speed of improvements to drinking water quality, largely because drinking water quality is already considered to be high.

  Customers consider environmental improvements that directly impact their locality and experience (e.g. impacting rivers and bathing waters) as the most urgent over wider environmental improvements such as carbon reductions. They prefer a measured approach to improvements for protected and enhanced natural resources, considering other areas to be more urgent.
- Trusted customer and community experiences rank lowest for speed of improvement despite customer concerns which focus on the wider trust elements of openness and transparency.

Customers consistently selected controlled and treated wastewater flows and resilient water resources through healthy catchments in their top three choices for speed of improvement.

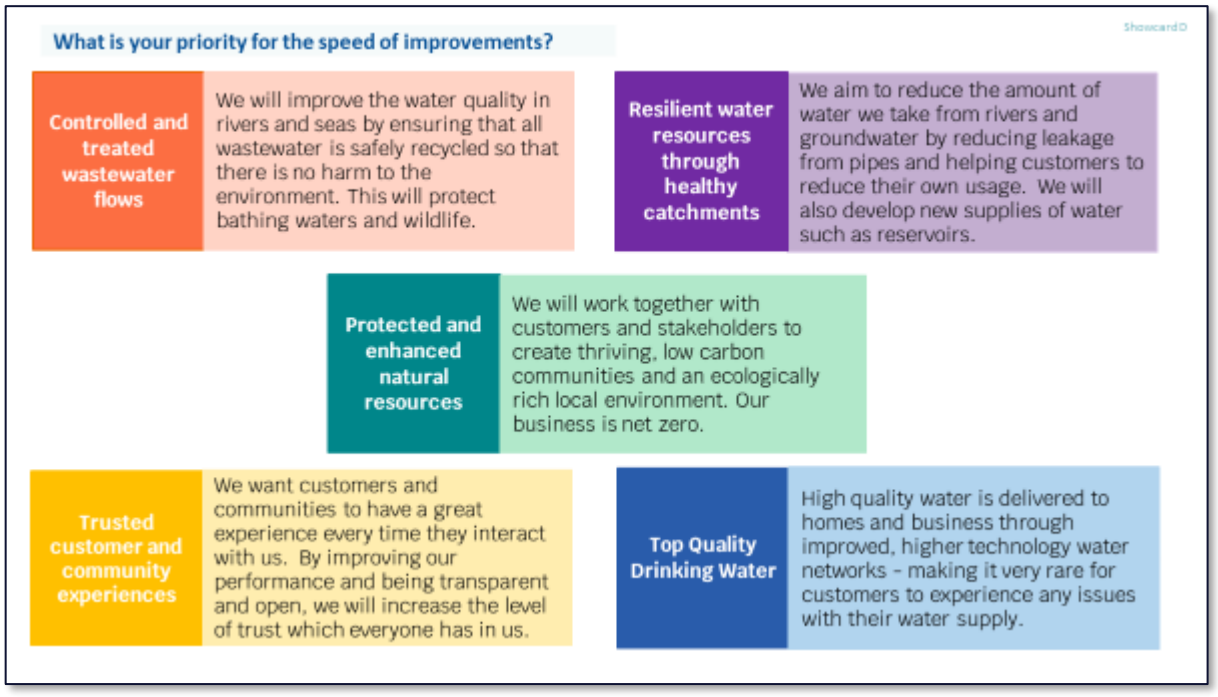

Figure 3.3: Showcard –SWW's five ambitions for the period 2025 - 2030

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South West Water's five ambitions for their long-term strategic direction for 2025 to 2050 were shared with customers. They were then asked to rank them in order of priority for speed of improvement, with 1 being their highest priority and 5 being their least priority.

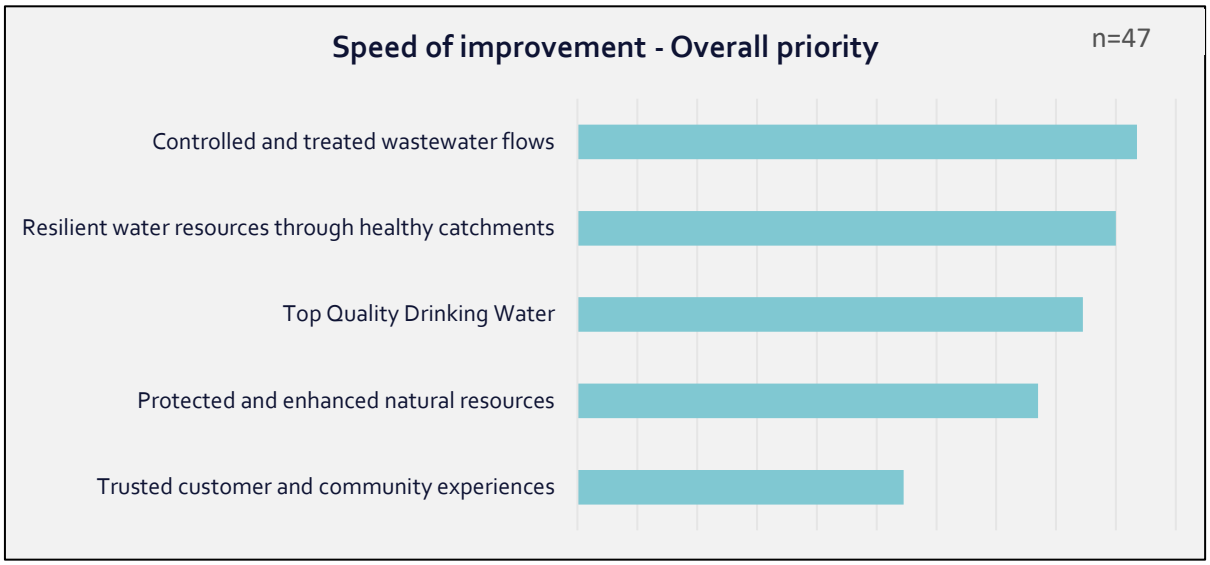

Figure 3.4: Overall priority for speed of improvement

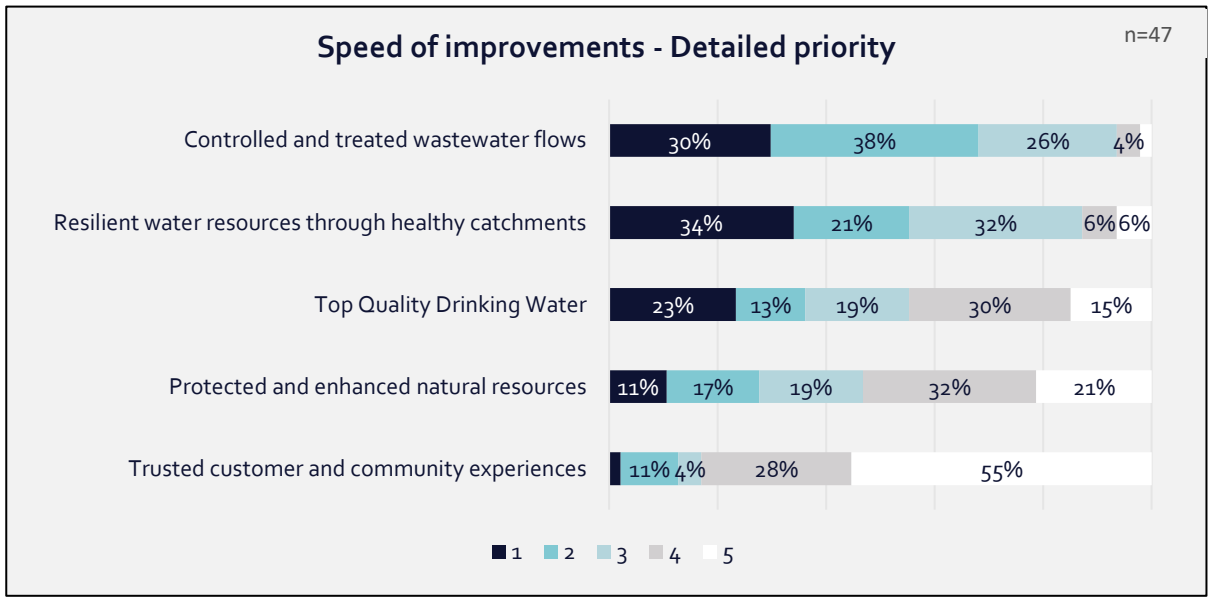

Figure 3.5: Customers' priority for speed of improvement

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> *"I was mainly reading that about reducing the amount of water abstracted from rivers, and yes, that is desirable, but nothing like as urgent as stopping dumping sewage."*
>
> ***Male, ABC1, 46+***
>
> *"I think for me it's kind of plugging issues first with the resilience and the [wastewater] quality."*
>
> **Male, ABC1, 18-45**

Customers' views on the urgency of improvements are strongly influenced by their awareness of current issues. Customers cited a recent prosecution for pollution, storm overflows media coverage, the leakage investigation by Ofwat and the hosepipe ban as driving factors.

It is notable that participants demonstrate a higher awareness of media coverage regarding storm overflows and a recent prosecution for pollution than has been observed in previous research projects over the last year.

> *"I've put [Controlled and treated wastewater flows] as my number 1 because of what I've seen in the news, where they have been fined for putting wastewater in the sea, so I thought maybe that was quite high up to sort out first perhaps."*
>
> **Female, C2DE, 18-45**
>
> *"I don't remember the details, but I believe SWW has been fined in the recent past about these charges so obviously that costs money, so as a business that's something you need to rectify ASAP."*
>
> **Female, ABC1, 18-45**
>
> *"And every year they're going to get trampled in the news because it's going to keep flowing into the seas with the system they've got. You're talking years of investment to put it right."*
>
> **Male, C2DE, 46+**

Customers consider environmental improvements that directly impact their locality and experience as the most urgent. Wastewater discharges and their impact on rivers and bathing waters drive customers' urgency for improvements.

Customers support improvements to the natural environment but consider improvements less urgent than improvements to wastewater discharges. They typically highlight the need for carbon reductions rather than biodiversity and catchment improvements, though for both aspects, they welcomed working with others.

Those customers who rank environmental ambitions as less urgent tend to recognise the need for improvement but considered water resources and water quality to be more pressing.

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> *"The next step in my mind is to work together to protect and enhance the natural resources. I mean, I think happy people and people who are really confident about the service they are getting, they are more willing to help towards a shared common goal."*
>
> **Female, ABC1, 18-45**

> *"If you get in early and do some low carbon communities, you are just hitting the problem early."*
>
> **Female, ABC1, 18-45**

Customers prioritise speed of improvement to water resources over drinking water quality.

Securing resilient water resources is considered an urgent need for SWW to address, driven by both the need to reduce leakage reduction and to develop new supplies. Notably, customers did not recognise any urgency to reduce their usage, rather concentrating on supply-side improvements.

Whilst customers recognise the importance of safe, high-quality drinking water, they are satisfied with the current quality with views on the speed of improvements ranged across the rankings. Some would only be concerned if the quality deteriorated, whereas others feel water quality is always imperative to improve as well as maintain.

> *"I think you initially fix some of the infrastructure, you reduce so many more of the problems; you reduce the leakage, you make it more viable to help customers reduce their own usage and wastage and I think that's one of the major problems which needs to be fixed first, before other problems can be tackled."*
>
> **Male, ABC1, 18-45**

> *"My thinking was that [drinking water quality] it's fine how it is, I don't need it to be improved."*
>
> **Female, ABC1, 46+**

Trusted customer and community experiences generate mixed views. Some customers had positive experiences with regards to customer service and resolution of problems; these customers do not consider any urgent need for improvements.

In contrast, other customers focus on the wider trust element linked to the transparency of information, highlighting media reports on leakage investigations and pollution prosecution. These customers seek more urgent improvements in openness and transparency.

Other customers recognise the need for improvements but consider the other four ambitions to be more urgent.

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> *"I have to say, I don't understand the negativity to SWW. I have no relationship to SWW at all apart from being a consumer but I'm quite amazed at the level of negativity. It would be interesting to know what sort of experiences people have had to make them feel so negative about this whole thing."*
>
> **Female, ABC1, 46+**

> *"Well, they need to be honest with the customer… to tell us how long it's going to take to fix these problems – one with the reservoirs, two with the storm overflows, but it's not going to be a quick fix."*
>
> **Male, C2DE, 46+**

3.3 Customers' views on the investment programmes that support the Strategic Direction

Summary of findings

- Overall, customers prefer the medium plan with elements of the faster plan.
- A measured approach is favoured for improvements to wastewater flows, the medium plan is preferred across all areas of wastewater flows.
- Customers feel reducing leaks is the most urgent area for SWW to invest in, leading them to prefer the faster plan for leakage and medium plan for other water resource investment areas.
- Customers feel replacing lead pipes is more urgent than improvements to drinking water in terms of taste, smell and appearance.
- Customers also prefer a measured approach to natural resources improvements, favouring the medium plan.
- Customers support maintaining the current level of social tariff support ensuring that no customers are in water poverty.

Approach

Customers were shown the different levels of investment needed to improve service in each of the five ambition areas. The investment consisted of three options for the planning period of 2025-2030 linked to plans to deliver the 2050 ambition at a slower, medium or faster pace.

Customers were shown the outcomes that would be delivered by 2030 under each plan alongside their relative bill impacts. Bill impacts are based around an average household customer bill, shown without inflation. They were then asked to select between no investment, slower, medium or faster investment' options.

Reasons for customers' preferred options were explored including the impact on both current and future bill payers, communities and wider society or current pressures on affordability. Researchers also tested to what extent their opinion of current services impacted their choices.

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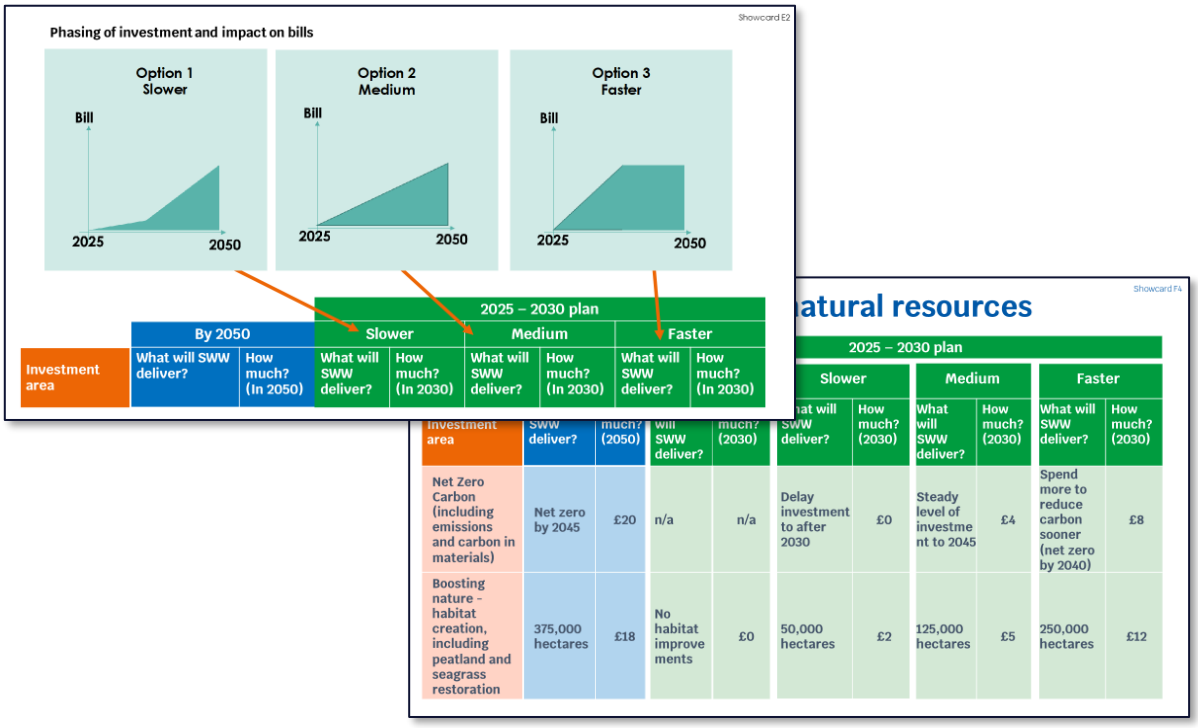

Figure 3.6: Explanatory showcards

Overview

Across the five ambition areas, when looking at the plan in more detail, customers were more likely to select the medium plan when considering each investment area individually. For leakage and replacing lead pipes supplying households, the faster plan is preferred. Customers hold a mix of views in some areas.

CONTROLLED AND TREATED WASTEWATER FLOWS

Although ranked the most urgent for improvements, customers prefer the medium plan for 2025-2030 for wastewater flows.

All three investment programmes are considered important. Whilst faster investment is often favoured for storm overflows, customers are wary of the cost leading to the medium plan being selected overall as a balanced approach.

Customers perceive meeting tighter standards for sewage treatment as important and the cost reasonable, although customers were less aware of this as an area for improvements than storm overflows. Whilst customers agree that reducing internal and external flooding is important, some feel an investment in other areas is more urgent given the relatively low number of properties affected.

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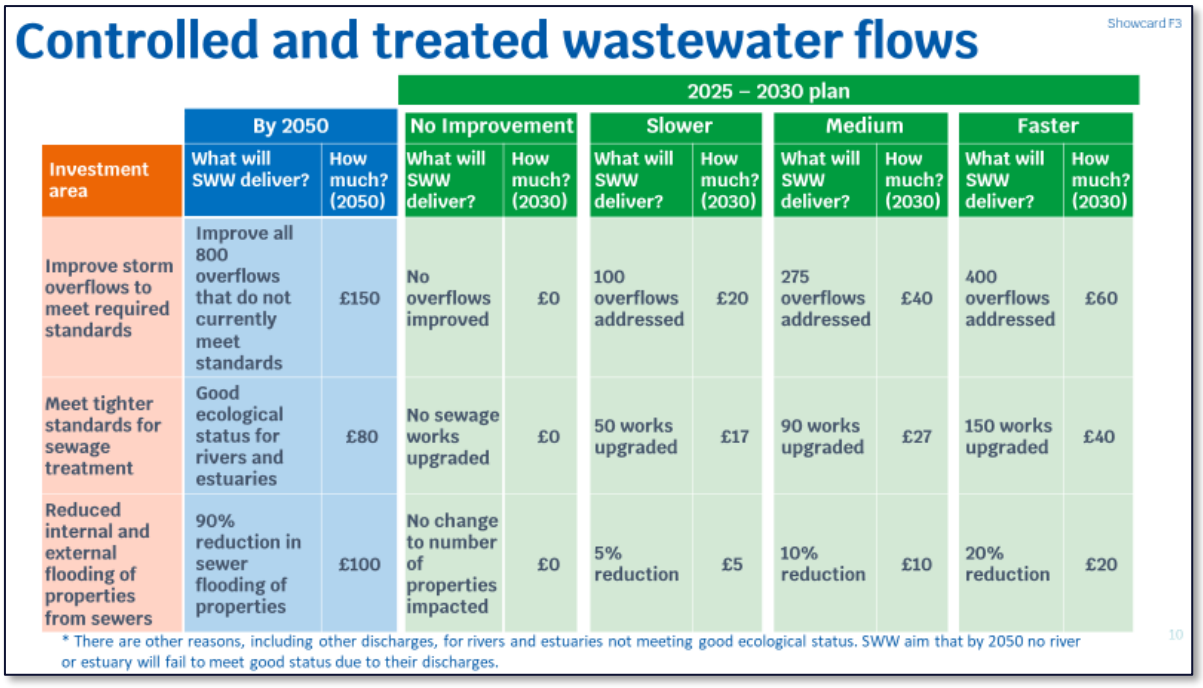

Controlled and treated wastewater flows

Showcard F3

Investment area	By 2050		2025 – 2030 plan							
			No Improvement		Slower		Medium		Faster	
	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
Improve storm overflows to meet required standards	Improve all 800 overflows that do not currently meet standards	£150	No overflows improved	£0	100 overflows addressed	£20	275 overflows addressed	£40	400 overflows addressed	£60
Meet tighter standards for sewage treatment	Good ecological status for rivers and estuaries	£80	No sewage works upgraded	£0	50 works upgraded	£17	90 works upgraded	£27	150 works upgraded	£40
Reduced internal and external flooding of properties from sewers	90% reduction in sewer flooding of properties	£100	No change to number of properties impacted	£0	5% reduction	£5	10% reduction	£10	20% reduction	£20

* There are other reasons, including other discharges, for rivers and estuaries not meeting good ecological status. SWW aim that by 2050 no river or estuary will fail to meet good status due to their discharges.

10

Figure 3.7: Showcard – Controlled and treated wastewater flows

The medium plan is preferred across all investment areas for the controlled and treated wastewater flows ambition.

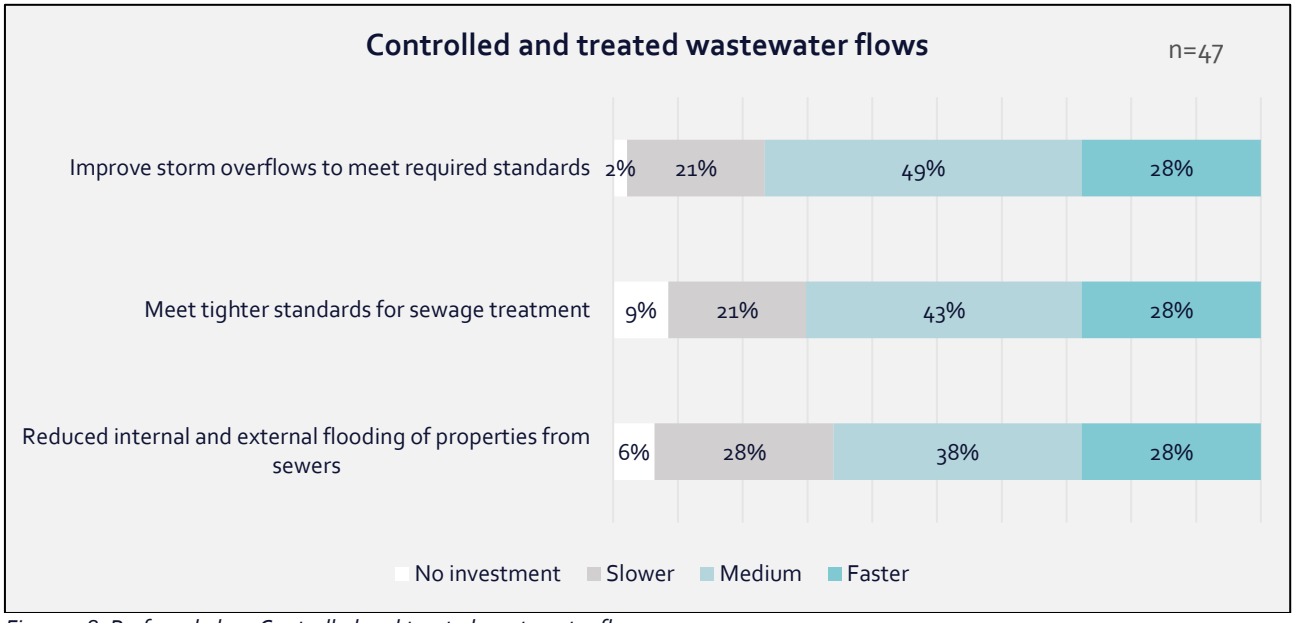

Figure 3.8: Preferred plan -Controlled and treated wastewater flows

Bill impacts are the key driver in the preference for the medium plan. Some customers also feel that SWW should find other sources of funding as opposed to increasing their bill; this sentiment is particularly strong when discussing storm overflows.

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"I think all of them are really important to fix, but how people are going to afford them is another question. I think every single one of them, including storm overflows and sewage is important and I've seen flooding from sewers – it was one of my friends, and it is horrible."

Male, ABC1, 18-45

"To be honest I don't know much about that area but the whole sewer flooding thing, to me that is quite important to get that sorted."

Female, C2DE, 18-45

"I've gone medium on everything actually! Because I think everything needs investment, we can't not invest and all of these areas need improving."

Female, C2DE, 46+

"Because it affects bathing water a lot, from what it sounded like, because it just goes into the sea, if that's right. So for us, with our tourist attraction, that should be rectified."

Male, ABC1, 18-45

"I think [improved storm overflows] should be addressed urgently but I don't think the consumer should bear the brunt of that."

Male, ABC1, 18-45

RESILIENT WATER RESOURCES THROUGH HEALTHY CATCHMENTS

Customers strongly support increasing the speed of investment to reduce leaks with half opting for the faster plan in 2025-2030. They consider the bill impacts are affordable and reducing leakage is key to resilience, offering benefits in terms of overall water management.

Connecting water supplies generates mixed views. Some customers recognise the benefits of optimising the water supply across the region, while others are concerned about cost and feel other options offer more effective solutions.

Despite the need for new reservoirs being raised in all groups, the majority of customers support the medium plan for developing new water sources. This choice is influenced by the bill impact, as well as a preference from some customers that resolving other factors such as leakage and reducing demand should be done first.

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Showcard F1

Resilient water resources through healthy catchments

Investment area	By 2050		2025 – 2030 plan							
			No Improvement		Slower		Medium		Faster	
	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
Reduce leakage	50% reduction against current levels	£41	Remains at current level	£0	5% reduction	£2	10% reduction	£3	15% reduction	£5
Install smart meters to all 1 million households	All households have a smart meter	£6	No smart meters installed	£0	200,000	£1	350,000	£2	500,000	£3
Develop new sustainable sources of water supply	Protect against most severe drought	£22	No additional sources	£0	New sources equivalent to 75,000 people	£4	New sources equivalent to 150,000 people	£6	New sources equivalent to 175,000 people	£8
Connect water supplies across company area to provide more flexibility in a drought	Connected regional supplies	£10	No new connections	£0	By 2040	£2	By 2035	£4	By 2030	£6

Figure 3.9: Showcard - Resilient water resources through healthy catchments

Customers prefer the faster plan for reducing leaks and the medium plan for other areas.

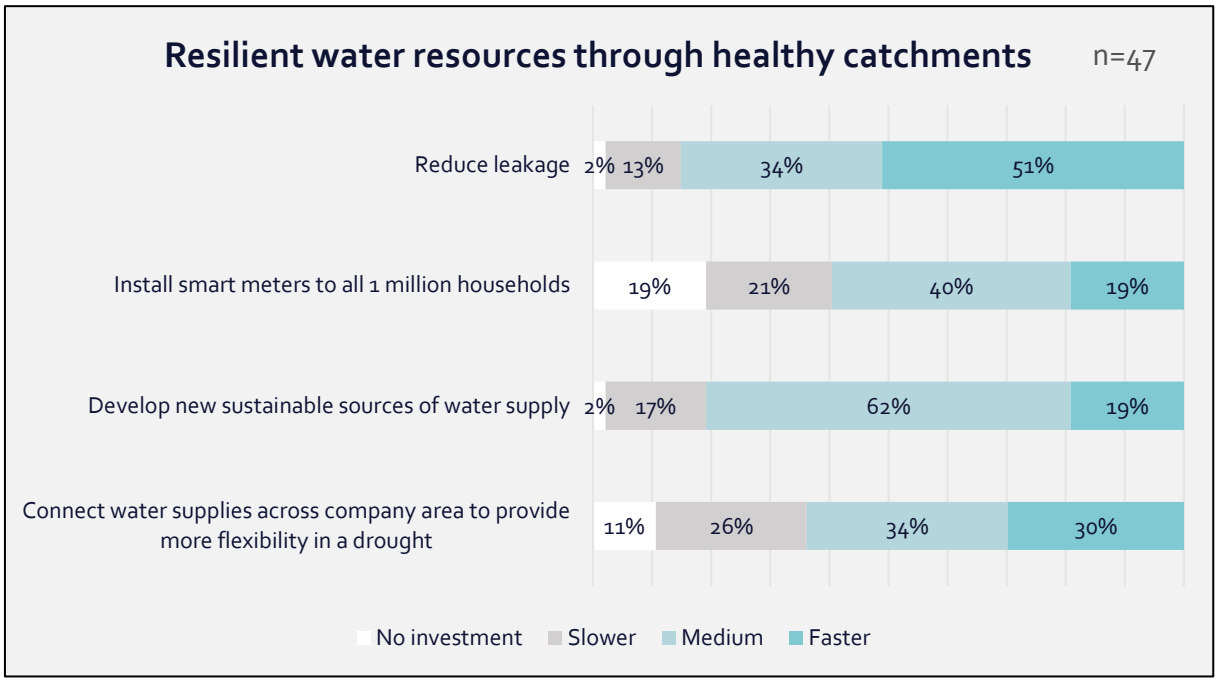

Figure 3.10: Preferred plan – Resilient water resources through healthy catchments

Customers have mixed views on smart metering which are largely influenced by personal preferences. Support for faster implementation is typically driven by the link to identifying leakage as well as helping customers reduce demand. Notably, this area of investment generates the greatest vote for no investment. Those who support the slow plan or no investment, do not agree that smart meters offer benefits for either infrastructure management or will encourage customers to reduce usage.

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Customers have varying levels of understanding and concern about the development of sustainable water sources. Those emphasising the importance of investment see it as a necessary step for achieving Net Zero goals, others are concerned about the cost and whether other areas should be prioritised instead.

> *"I went with fast investment on reduced leakage and reduced usage as will have an impact on the other goals."*
>
> **Female, ABC1, 18-45**
>
> *"If you sort out the leakage anyway, I think it all fits in place."*
>
> **Female, ABC1, 46+**
>
> *"I went low on the others because I am quite cautious on money and this is just one more thing to worry paying about, but I just like the idea of connectivity."*
>
> **Male, C2DE, 18-45**
>
> *"I think it is accurate to say that a lot of the leakage is not seen, and I think if we are going to focus on trying to save water, let's not lose the water we have got."*
>
> **Female, ABC1, 46+**

TOP QUALITY DRINKING WATER

Customers feel replacing lead pipes is more urgent than improvements to drinking water aesthetics.

Showcard F2

Top quality drinking water

			2025 – 2030 plan							
	By 2050		No Improvement		Slower		Medium		Faster	
Investment area	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
High quality drinking water (taste, smell and appearance)	85% reduction in complaints	£50	No investment to improve water quality	£0	10% reduction in complaints	£4	25% reduction in complaints	£10	35% reduction in complaints	£13
Replacing lead supply pipes to households	All 90,000 lead pipes replaced	£6	No lead pipes replaced	£0	10,000 pipes replaced	50p	20,000 pipes replaced	£1	40,000 pipes replaced	£2

Figure 3.11: Showcard – Top quality drinking water

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Preferences on the urgency for improvements are influenced by their view that SWW already provides high-quality drinking water. Half of customers advocate for faster investment in lead pipe replacement; they highlight its importance in ensuring safety and reducing potential contaminants in the water supply. They also consider the bill impact is not prohibitive compared to other areas.

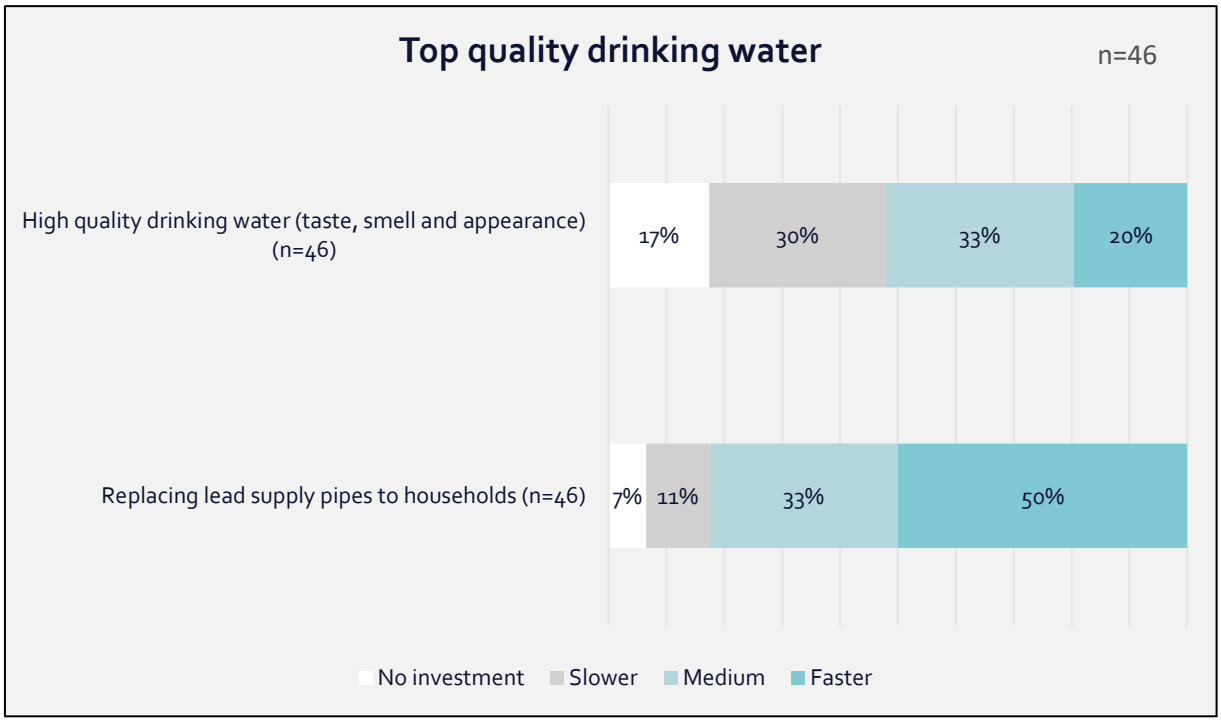

Figure 3.12: Preferred plan – Top quality drinking water

Customers feel the taste, smell and appearance of drinking water to be important but not as critical as health-related issues such as lead. Their urgency for improvement tends to be influenced by personal experience. Some customers opt for no investment or the slower plan, as they feel the bill impacts for drinking water quality improvements are prohibitive.

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"Lead pipes isn't that expensive; it's one of the cheapest we've seen tonight, and it has a health impact, so they should do that quickly."

Male, ABC1, 18-45

"I've put [replacing lead supply pipes] in faster, because I think it's quite an important issue, and the cost doesn't seem that great."

Male, ABC1, 46+

"Obviously having lead pipes can be quite dangerous so it feels like something fairly basic which should be sorted. Similar to before, I am not sure how I feel about how a consumer might have to bear that one again."

Male, ABC1, 18-45

"We were shown previously that we do already have quite high quality drinking water, so I have no problem with the water personally; it wasn't an urgent thing for me."

Female, ABC1, 18-45

"I have never experienced poor quality on mine, so I guess it's personal, it's what you experience. I suppose if you had bad tap water it would be more of a priority."

Female, ABC1, 18-45

PROTECTED AND ENHANCED NATURAL RESOURCES

Customers support SWW's ambition to reach net zero with the majority opting for the medium plan. They consider this to be a balanced approach that continues to reduce emissions without preventing investment in other areas. Customers who support a faster plan do so because they either see carbon reduction as urgent or expect bill reductions in future.

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Showcard F4

Protected and enhanced natural resources

Investment area	By 2050		2025 – 2030 plan							
			No Improvement		Slower		Medium		Faster	
	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
Net Zero Carbon (including emissions and carbon in materials)	Net zero by 2045	£20	n/a	n/a	Delay investment to after 2030	£0	Steady level of investment to 2045	£4	Spend more to reduce carbon sooner (net zero by 2040)	£8
Boosting nature - habitat creation, including peatland and seagrass restoration	375,000 hectares	£18	No habitat improvements	£0	50,000 hectares	£2	125,000 hectares	£5	250,000 hectares	£12

Figure 3.13: Showcard – Protected and enhanced natural resources

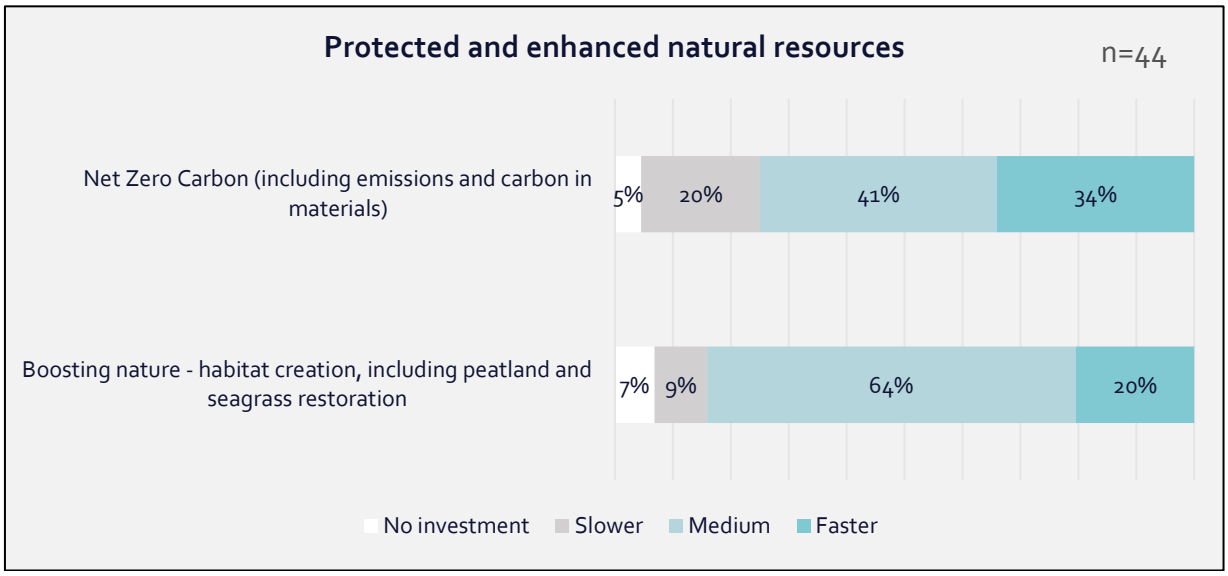

Figure 3.14: Preferred plan – Protected and enhanced natural resources

Views vary regarding the speed of improvements to boost nature. Those supporting the faster plan feel it offers additional benefits and will help offset other environmental challenges such as the growing population. Those opting for the medium or slower plan typically consider to be investment important but not as urgent as the other investment areas discussed.

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"If I look at the Net Zero carbon, we have to do something, because if we don't do anything it's only going to get worse."

Male, ABC1, 46+

"I thought there is a hell of a lot of investment going on already, so I think there are other priorities really, so that's why I thought it can be delayed a bit. There is enough investment going on. The boosting nature one is really important because of the amount of building work going on in Cornwall, we need to somehow get the balance back."

Female, ABC1, 46+

"I went slow because everyone will have to be net zero by 2050, but I think a lot of the technology doesn't exist yet so a lot of the technology will need replacing in the future."

Male, ABC1, 18-45

"I believe it's pivotal to do more for the environment with everything happening recently regarding climate change."

Female, ABC1, 46+

"Again, personal priorities. I think it's a really important priority for the planet and the country to reduce our environmental impact and boost and do what we can to create the habitats."

Female, ABC1, 18-45

TRUSTED CUSTOMER AND COMMUNITY EXPERIENCES

For this research, trusted customer and community experiences focused on the affordability aspects of investment. Customers were asked to select the extent of social tariffs rather than the urgency of improvements. This shows that customers support maintaining the current level of social tariff support which is to ensure that no customers are in water poverty.

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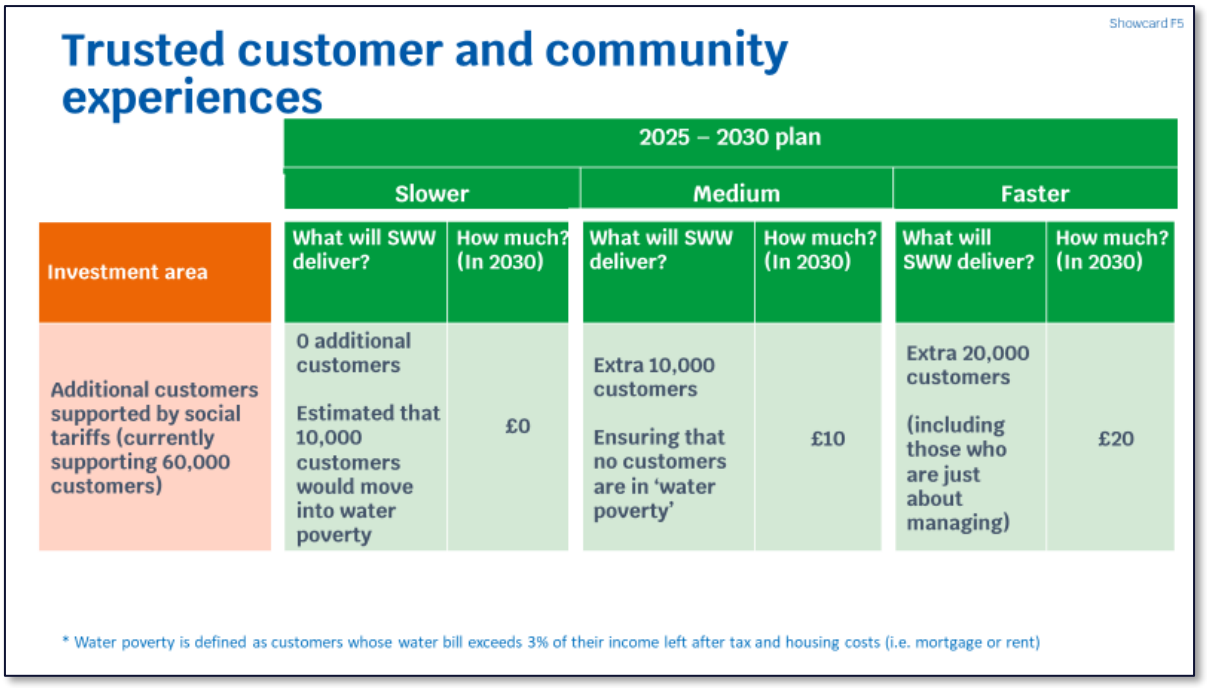

Showcard F5

Trusted customer and community experiences

	2025 – 2030 plan					
	Slower		Medium		Faster	
Investment area	What will SWW deliver?	How much? (In 2030)	What will SWW deliver?	How much? (In 2030)	What will SWW deliver?	How much? (In 2030)
Additional customers supported by social tariffs (currently supporting 60,000 customers)	0 additional customers Estimated that 10,000 customers would move into water poverty	£0	Extra 10,000 customers Ensuring that no customers are in 'water poverty'	£10	Extra 20,000 customers (including those who are just about managing)	£20

* Water poverty is defined as customers whose water bill exceeds 3% of their income left after tax and housing costs (i.e. mortgage or rent)

Figure 3.15: Showcard – Trusted customer and community experiences

Most customers recognise the need to support customers to avoid water poverty, with the majority supporting maintaining the current level of support. Families and vulnerable customers are typically highlighted as customers deserving of support if in water poverty.

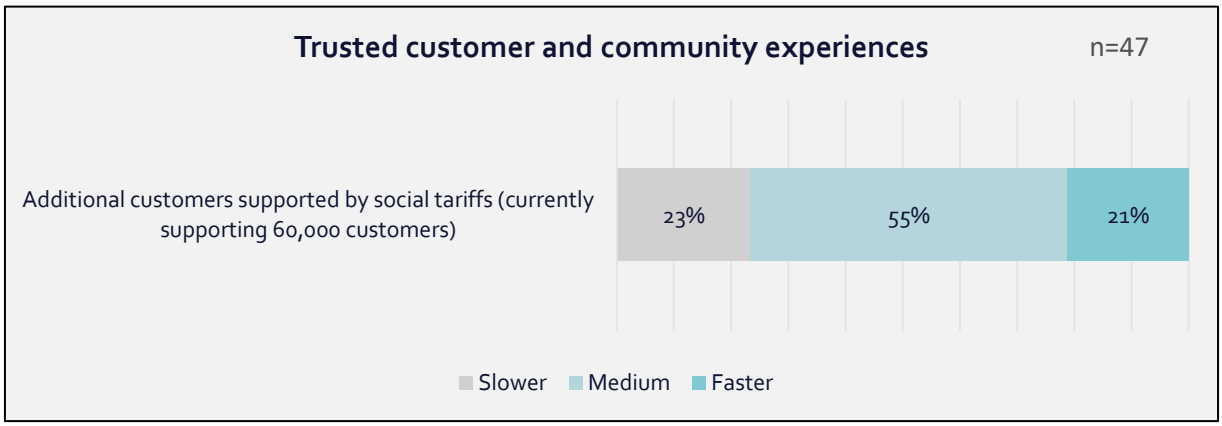

Figure 3.16: Preferred plan – Trusted customer and community experiences

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"[On selecting faster] I think mainly because on a personal level, I have a child with severe disabilities and I have to use more water than the average household does because of his disabilities. If it wasn't for the water tariff SWW does in capping my bills it might actually get to a point where I'm considering whether I should stick the heating on or have clean water to wash my son. I think in this day and age, on a personal level, no one should be in water poverty, and we should all be able to drink as we want to."

Female, C2DE, 18-45

"I absolutely want to help as many people as possible, but I am looking at this from an affordability level as well, so considering both options and trying to make a difference where possible."

Female, C2DE, 18-45

However, views varied regarding who should be responsible for this support. Some customers are happy to support other customers and 'chip in' at the level of bill impact proposed. Others consider this a matter for government or charity support, and some feel SWW should fund this from profits or shareholders.

"SWW should pay this, but no one should be struggling with water bills."

Female, ABC1, 18-45

"I don't think this is for the bill payer, I think it's for the government to address this, and if they are going to be paying benefits for people on the breadline, that should be encompassed into the credits they are paid; it shouldn't be divvied up among the bill-payers."

Male, ABC1, 46+

"Don't mind chipping in slightly more to help others. However, strongly feel this again should not be pushed onto consumers to pay."

Male, ABC1, 18-45

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3.4 Customers' preferred overall plan and their views on SWW's proposed business plan

Summary of findings

- Customers support the medium plan when presented with the overall investment plan options for each ambition, though this does mask customer preferences for faster options to address leakage and to replace lead pipes when considered individually.
- Cost and bill impacts were the main driver behind choices.
- Customers largely endorse SWW's proposed plan in terms of the urgency of improvements to meet SWW's long-term ambitions.

Overall, customers are most supportive of South West Water's medium business plan option.

Controlled and wastewater treatment flows is the ambition area where bill impacts materially affect customers' preferences for the speed of improvements. The relatively high bill impacts lead to more customers opting for the medium plan than faster plan when considering the overall bill impacts.

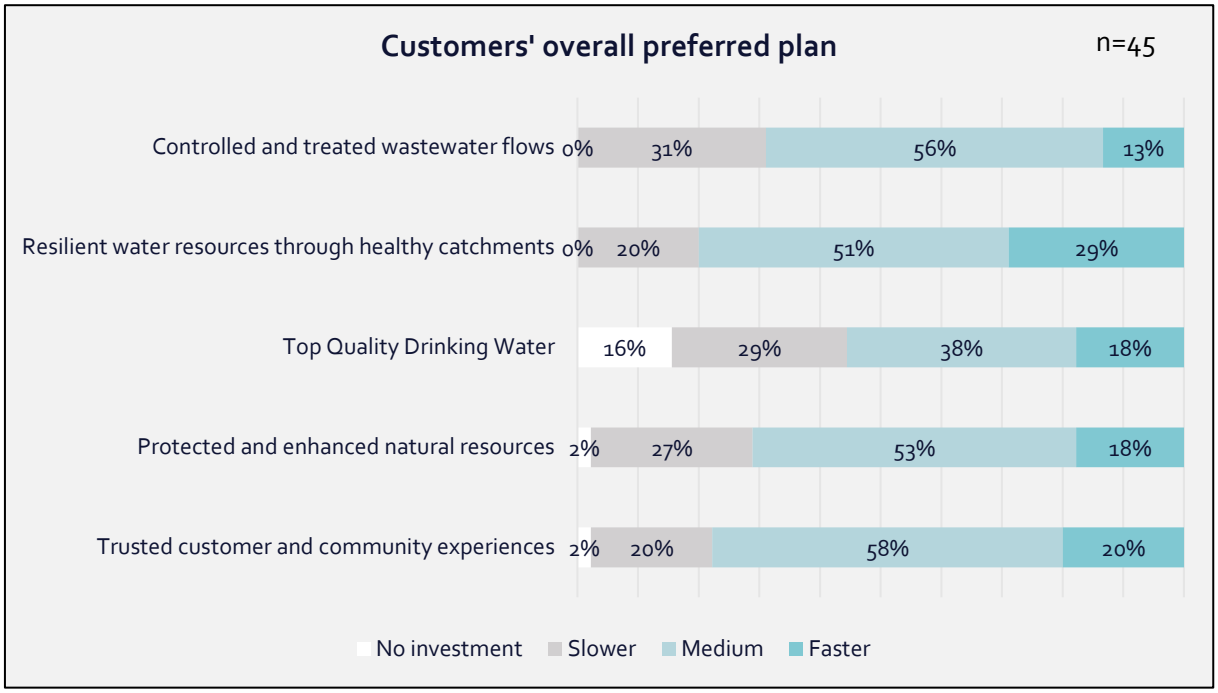

Figure 3.17: Customers' overall preferred plan

A higher level of customer support for faster investment overall for resilient water resources through healthy catchments is maintained, driven by the preference for urgent reductions in leakage.

When faced with the overall bill impacts, customers' views on the urgency of improvements for drinking water quality align with their preference for improvements in drinking water quality (taste, odour and appearance) rather than their preferred approach for replacing lead supply pipes. This is reflective of the higher levels of investment needed for drinking water quality improvements compared to lead pipe replacement.

Protected and enhanced natural resources also showed a small reduction in urgency overall when considering the bill impacts in total.

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> *"I think for me, it's £119 which is a fair increase, like on like, which in terms of affordability and output, high quality drinking water is low on my priorities because it should be like that anyway. And I prioritised resilient water sources to protect from drought, because we all need water, and the rest is just totally middle of the road."*
>
> **Male, ABC1, 18-45**

Balancing the need for immediate action with steady progress is a recurring theme, with costs and bill impacts acting as the main drivers behind customers' choices. While some customers prioritise faster investment to address issues promptly, others prefer medium-paced investment to ensure nothing is rushed or to balance cost pressures.

> *"I don't mind paying £20 more a year if it's going to have massive improvements or things. I am surprised at how high that is overall once you start adding all of these up that we spoke about – that's quite a huge increase."*
>
> **Male, ABC1, 18-45**
>
> *"Thinking about how much that would actually cost over that amount of time, I guess there would have to be some kind of flexibility on a couple of them."*
>
> **Female, C2DE, 18-45**
>
> *"I've gone medium on the controlled wastewater, purely because the jump in the difference, in the course of a year, is not too much, whereas obviously that third one is a bit of a bigger jump."*
>
> **Male, ABC1, 18-45**
>
> *"I think it looks like they are trying to keep the cost down for the bill payers. Obviously there does have to be increases for the bill payer somewhere, but it does look quite reasonable in trying to keep the costs down, and I'm quite happy with that."*
>
> **Female, ABC1, 18-45**

Although they support investment to improve services, some customers frequently returned to the question of who should pay for those improvements. They question whether it is entirely the billpayer's responsibility, or whether the funding for improvements should come from SWW's share of profits.

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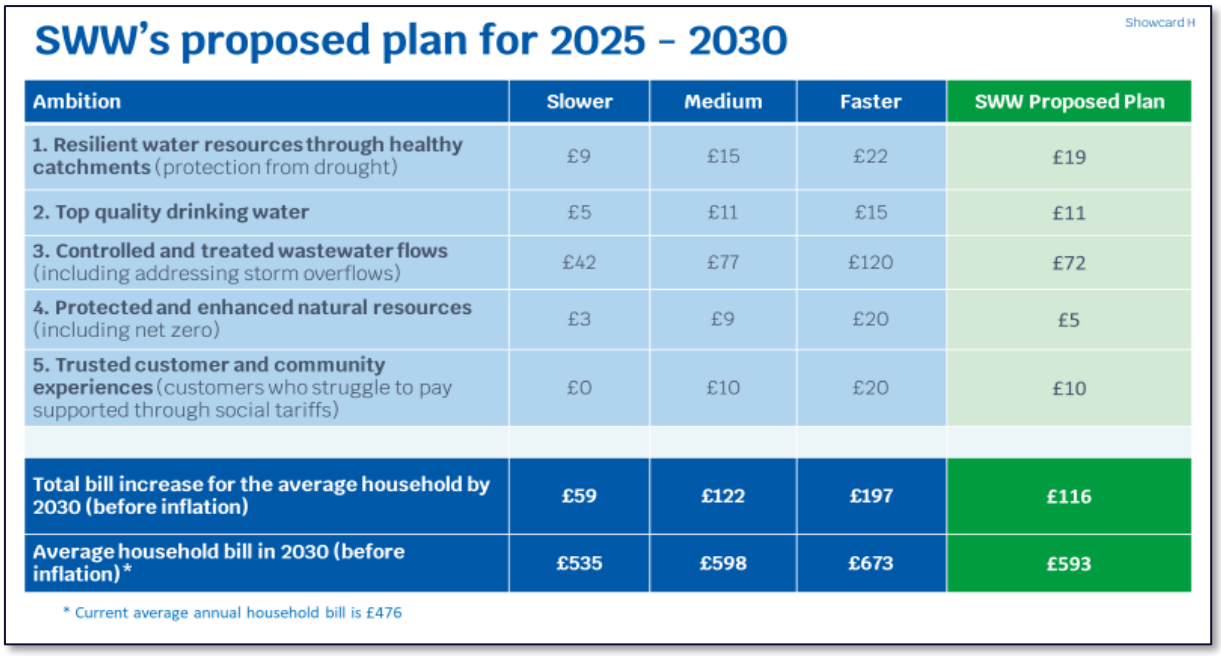

SWW's proposed plan for 2025 - 2030

Showcard H

Ambition	Slower	Medium	Faster	SWW Proposed Plan
1. Resilient water resources through healthy catchments (protection from drought)	£9	£15	£22	£19
2. Top quality drinking water	£5	£11	£15	£11
3. Controlled and treated wastewater flows (including addressing storm overflows)	£42	£77	£120	£72
4. Protected and enhanced natural resources (including net zero)	£3	£9	£20	£5
5. Trusted customer and community experiences (customers who struggle to pay supported through social tariffs)	£0	£10	£20	£10
Total bill increase for the average household by 2030 (before inflation)	**£59**	**£122**	**£197**	**£116**
Average household bill in 2030 (before inflation)*	**£535**	**£598**	**£673**	**£593**

* Current average annual household bill is £476

Figure 3.18: Showcard – SWW's proposed plan for 2025 - 2030

The majority of customers find SWW's proposed plans to be reasonable. They feel it is somewhere between 'medium' and 'faster' investment for most areas. In general, they believe that the proposed plans align with their current financial situation and their future aspirations, however, some customers are wary of faster investment and wasting resources.

Customers mostly focus on the changes per ambition rather than the overall impact on their future bills.

> *"I'm quite happy with the proposed plan. It seems quite reasonable and it's somewhere between medium and faster, roughly. So hopefully they will be able to get the ball rolling on these things without too much of a medium jump."*
>
> **Female, ABC1, 18-45**

> *"I am surprised drinking water isn't a priority, but the rest of it is where I would imagine it would be."*
>
> **Male, C2DE, 18-45**

> *"It seems to be improvements all around which is good."*
>
> **Male, C2DE, 18-45**

> *"Roundabout medium, I can live with that."*
>
> **Female, ABC1, 18-45**

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4 Conclusions

This qualitative research project shows that customers broadly support SWW's proposed plan in terms of the urgency of improvements to meet SWW's long-term ambitions. They favour the medium or faster plan for investment. Their decisions are driven largely by price sensitivity.

Customers are cognisant of the pressures of growing population and climate change, feeling that hotter, drier summers and more housing present the most significant challenges on the services SWW provides. Overall, they prioritise challenges and impacts which they perceive as directly affecting them, and they recognise a need for improvements to infrastructure. Customers' existing awareness of current issues influences their views on the urgency and priority of improvements.

Of SWW's five ambitions, controlled and treated wastewater flows and resilient water resources through healthy catchments are considered the more urgent areas for improvement. This view was consistent across the research, although customers' preferences for the pace of improvements to controlled and treated wastewater flows are tempered by the scale of the bill impacts.

Improvements to water resources are considered to be more urgent than improvements to drinking water quality, largely because drinking water quality is already considered to be high. Customers prefer a measured approach to improvements for protected and enhanced natural resources, recognising the need for improvement but considering other areas to be more urgent.

Trusted customer and community experiences are the lowest ranking priority for speed of improvement, despite customer concerns regarding trust, transparency and openness.

The main drivers for customers when selecting their overall plan (at ambition level) are cost and bill impact, leading customers to prefer the medium-term plan for 2025-2030, though this masks customer preferences for faster options to address leakage and to replace lead pipes, with half of the participants opting for faster investment for these two investment areas when considered individually.

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Appendix A – Topic Guide

South West Water
Business Plan testing topic guide
June 2023

Welcome and introduction	5 mins

- Moderator(s) to introduce themselves, explain the format of the discussions, and set out objectives of the discussion.
- We are an independent consultancy conducting research on behalf of SWW. We work in line with the Market Research Society Code of Conduct.
- 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. Pennon and other stakeholders may observe the groups or review the sessions.

Introduction to SWW	5 mins (10)

In this session we want to explore your views on South West Water and what you think SWW's priorities should be for the next 5-year period from 2025 to 2030 and also over the next 25 years to 2050.

- Check any questions before starting.

To begin with, we shared some pre-reading with you and we'd like to get your views on one aspect of it

Showcard A: SWW's journey so far

This showcard highlights some of the key improvements in performance that South West Water has delivered over the last 20-30 years.

- What are your views on these improvements – are you impressed, disappointed, it's as you expected? Briefly probe what measures they highlight as impressive, disappointing and why
- Before we move on to the next section are there any questions about the pre-reading, anything that you would like to clarify?

Long term planning and future challenges	5 mins (15)

South West Water is planning for future investment over the next 25 years between 2025- 2050. These long-term plans will be implemented through a series of 5-year plans, and the next 5-year plan starts in 2025. A key element to developing these investment plans is to understand the views and priorities of their customers.

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

South West Water faces different pressures that may impact on how the water and wastewater service is delivered in future and so they need to consider these pressures when planning for the future. These are the key pressures that South West Water has identified.

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Showcard B: Challenges we now face

Exercise – Using the tick please select which challenge you think will have the biggest impact on South West Water and the services it provides

- Probe results to understand differences, what they understand in terms of the impact, how long are they thinking into the future etc
- Overall, what do you think is the implication of all of these challenges on South West Water over the next 25 years? Probe briefly to see if they recognise demand increasing but supply of water decreasing so expect a deficit, threats from external factors like flooding and sea rises, are they concerned about the impact on them in other ways like affordability, bills etc.
- Is there anything that surprises you, anything you didn't expect? Probe briefly to see if there's anything different they expected, do they focus on any particular pressure over others etc

SWW's Strategic Direction	10 mins (25)

Showcard C: Strategic Direction

This is South West Water's summary of their strategic Direction which was included in the pre-reading. We'd now like to discuss the five ambitions that are on the right-hand side of the showcard. Before we do, does anyone have any questions or anything they want to clarify about these ambitions?

Showcard D: Five ambitions (order to be swapped between groups)

Exercise– Please rank these five ambitions in order of speed of improvements – so put no 1 as the area that you think is the most urgent to improve, then the 2nd most urgent down to 5 which is the least urgent for improvements.

- Moderator to emphasise that the exercise is about the urgency of making improvements (not how important the area is overall)
- Discuss results very briefly and probe any significant differences, reasons behind their priorities, e.g. is it because they are happy with current levels of performance in one area not another etc

Showcard E1: Phasing of investment and impact on bills

When investment is made over the next 25 years impacts on both how quickly improvements occur, and how customers' bills change and therefore how it affects both current and future bill payers.

- Moderator to talk through the 3 investment profiles and bill implications (start with option 2: medium). Check for understanding
- What are your initial thoughts on the options presented? Probe to see if any prompt positive or negative views? Do they focus on current times or the long term, or on future customers etc

Investment Areas	50 mins (75)

We are now going to look at these five ambition areas in more detail in terms of the investment needed to get your views on how you think South West Water should be investing in managing and improving their water and wastewater systems, and the quality of the water and wastewater and sewerage service that they provide, over the next 25 years.

Showcard E2: Introduction to investment areas and bill profiles

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For each of the five ambition areas, we will show you the different types of investment needed to improve service. There are different options for each of the different types of investment areas, and each option will deliver the improvements to service over different time periods.

To help you compare the different options, we'll show you the bill impact for 2050 and also the different bill impacts for the different options for 2025-2030. These options correspond to the different investment profiles we've just been talking about – slow, medium, faster – and therefore how quickly improvements occur. There is also a no investment in 2025-2030 option which means there will be no improvement in that service area.

- Check understanding

Showcards F1-5: Investment plans by ambition area (Order to be swapped between groups)

Moderator to talk through table and explain the bill impact and outcomes by 2050, and how this links to options for the next price review 5 year period from 2025-2030.

- Does anyone have any questions? Are the options clear?
- For the first slide, remind them that the bill impacts are shown against the average household customer bill and shown without inflation. The average household bill is currently £476 per annum for both water and wastewater services

Exercise – Using the tick, for **each** investment area, please can you select which of the 2025-2030 options you prefer (ie. Pick between no investment, slower, medium and faster)

- Why did you select your preferred option? What was the reason for your choice? Probe consensus, differences between views, what are they considering in making their choices, what is the over-riding reason e.g. future customers, wider society, current affordability pressures, don't think the investment area is important, does their view of current services influence choices etc
- If responses highlight it, explore whether views impacted by the 2050 targets or bill impact?

Investment plan	13 mins (88)

Showcard G: Summary of 4 plans by the five ambition areas

Now that we've looked at each of the five ambitions in turn, we'd like to review the overall plan for the next 5-year period from 2025 to 2030, and understand your overall preferences for the plan.

We'd like you to consider them all together as we realise your views and preferences may change when you can compare them to each other and consider what the total impact is on future bills.

The bill impacts shown are the increase on the average household customer bill in 2030 – so it's the extra amount you would pay in 2030 for that option. As a reminder, the average household bill is currently £476 per annum for both water and wastewater services.

Exercise – We'd like you to decide what investment plan you prefer for the next 5 year period from 2025 to 2030,

Step 1: Using the tick, for **each** ambition area, please can you select which of the 2025-2030 options you prefer (ie. Pick between no investment, slower, medium and faster). You are putting 5 ticks – one per ambition area

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You don't have to try and make it the align with the options you selected previously. This is about looking at the five ambitions against each other and deciding what you prefer overall for each ambition – so you can change your mind

- Moderator to check understanding.
- Moderators to emphasise must select one option per ambition.

Moderators to share the results after the exercise has been completed and probe to understand: is there anything surprising, what is motivating choices, why there are similarities or differences.

How much did your choices change when you could see all the investment together? Did it make you opt for faster, slower or stay the same? Probe factors influencing their choices

Showcard H: SWW's proposed plan for 2025 – 2030

Thanks for completing all the exercises and for your input into how SWW should prioritise their investment over the next 25 years.

For the last few minutes we'd like to share SWW's current view of their proposed plan for the first 5 years in that period – 2025 to 2030, and get your views. What do you think about the proposed plan?

Probe is there anything surprising, what do they agree/disagree with, do they feel it aligns with what they said?

Is there anything you think SWW should do differently for their future planning?

General feedback and close	<1-2 mins (90)

- Thank you for your input. Before we finish, has there been anything that has surprised or concerned you? Are there any other comments?

Thank and close.

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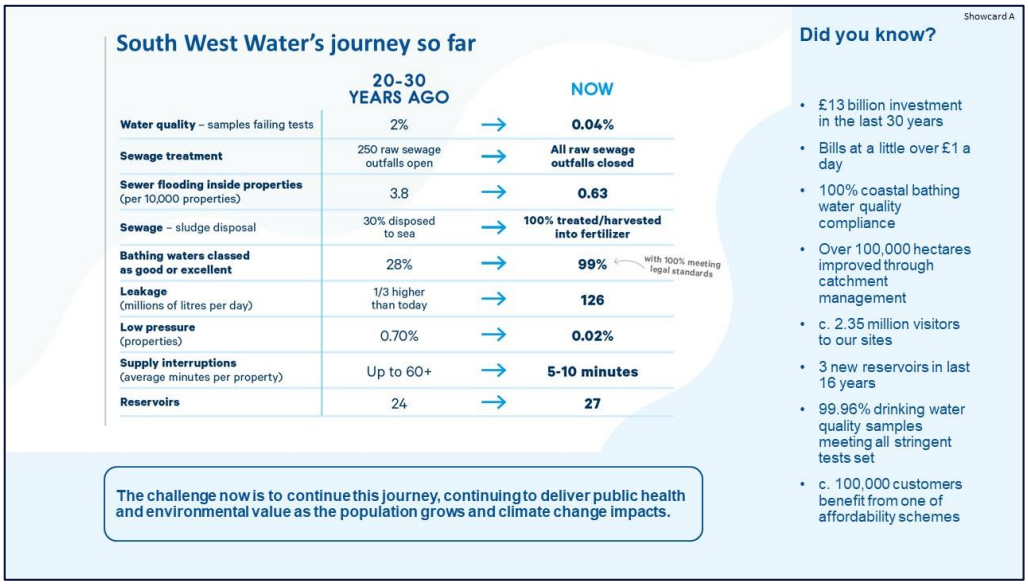
Appendix B – Showcards



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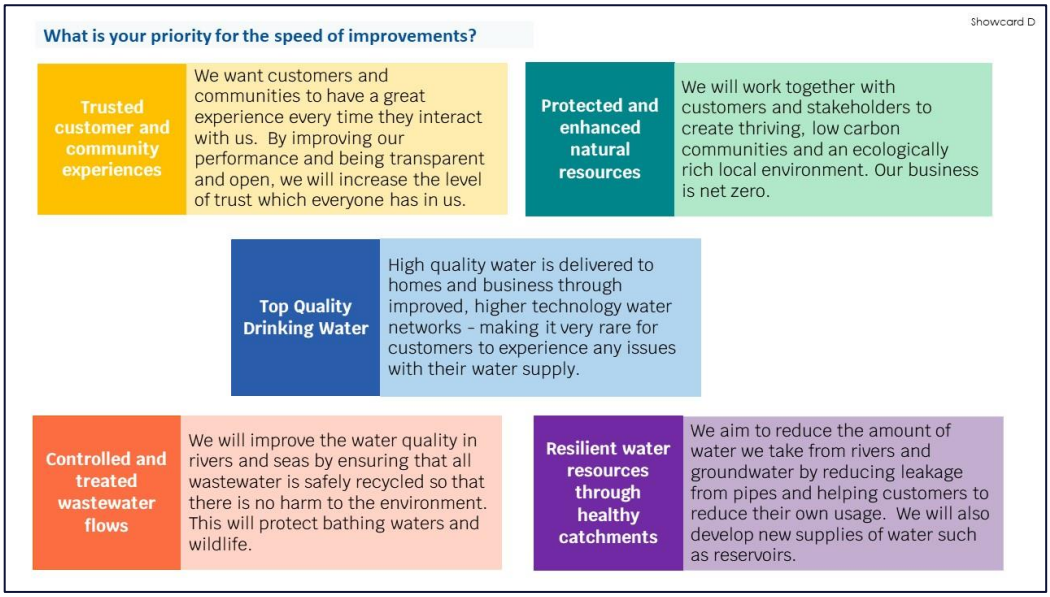

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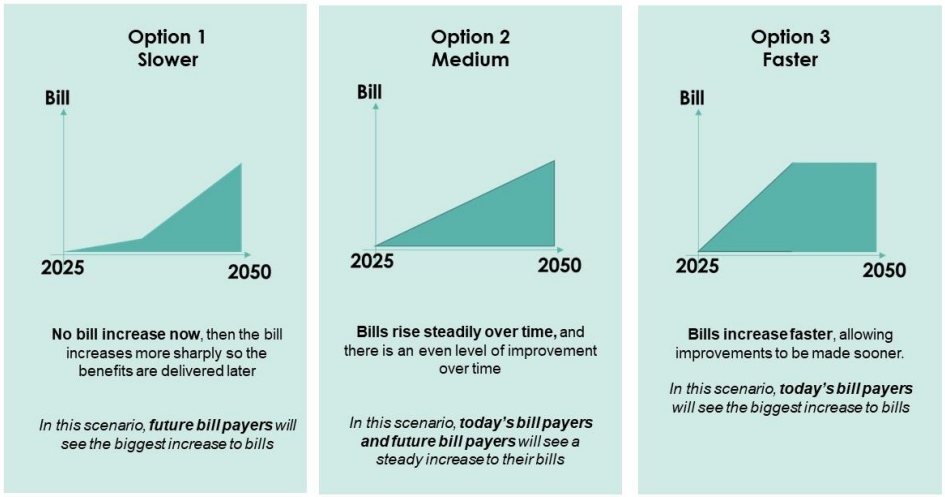
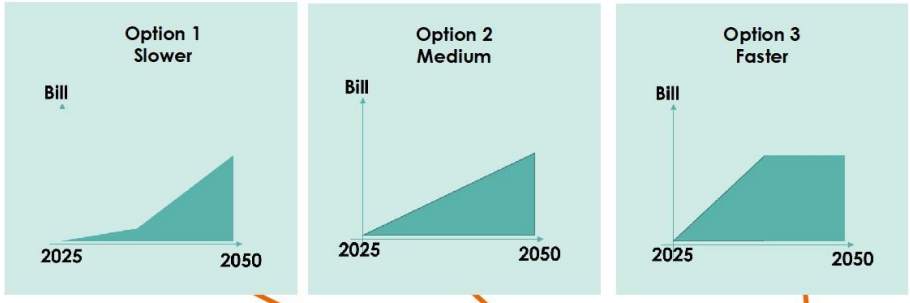
Showcard E1

Phasing of investment and impact on bills



Showcard E2

Phasing of investment and impact on bills



	2025 – 2030 plan							
	By 2050		Slower		Medium		Faster	
Investment area	What will SWW deliver?	How much? (In 2050)	What will SWW deliver?	How much? (In 2030)	What will SWW deliver?	How much? (In 2030)	What will SWW deliver?	How much? (In 2030)

Showcard F1

Resilient water resources through healthy catchments

	2025 – 2030 plan									
	By 2050		No Improvement		Slower		Medium		Faster	
Investment area	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
Reduce leakage	50% reduction against current levels	£41	Remains at current level	£0	5% reduction	£2	10% reduction	£3	15% reduction	£5
Install smart meters to all 1 million households	All households have a smart meter	£6	No smart meters installed	£0	200,000	£1	350,000	£2	500,000	£3
Develop new sustainable sources of water supply	Protect against most severe drought	£22	No additional sources	£0	New sources equivalent to 75,000 people	£4	New sources equivalent to 150,000 people	£6	New sources equivalent to 175,000 people	£8
Connect water supplies across company area to provide more flexibility in a drought	Connected regional supplies	£10	No new connections	£0	By 2040	£2	By 2035	£4	By 2030	£6

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Showcard F2

Top quality drinking water

Investment area	By 2050		2025 – 2030 plan: No Improvement		Slower		Medium		Faster	
	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
High quality drinking water (taste, smell and appearance)	85% reduction in complaints	£50	No investment to improve water quality	£0	10% reduction in complaints	£4	25% reduction in complaints	£10	35% reduction in complaints	£13
Replacing lead supply pipes to households	All 90,000 lead pipes replaced	£6	No lead pipes replaced	£0	10,000 pipes replaced	50p	20,000 pipes replaced	£1	40,000 pipes replaced	£2

Showcard F3

Controlled and treated wastewater flows

Investment area	By 2050		2025 – 2030 plan: No Improvement		Slower		Medium		Faster	
	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
Improve storm overflows to meet required standards	Improve all 800 overflows that do not currently meet standards	£150	No overflows improved	£0	100 overflows addressed	£20	275 overflows addressed	£40	400 overflows addressed	£60
Meet tighter standards for sewage treatment	Good ecological status for rivers and estuaries	£80	No sewage works upgraded	£0	50 works upgraded	£17	90 works upgraded	£27	150 works upgraded	£40
Reduced internal and external flooding of properties from sewers	90% reduction in sewer flooding of properties	£100	No change to number of properties impacted	£0	5% reduction	£5	10% reduction	£10	20% reduction	£20

* There are other reasons, including other discharges, for rivers and estuaries not meeting good ecological status. SWW aim that by 2050 no river or estuary will fail to meet good status due to their discharges.

10

Showcard F4

Protected and enhanced natural resources

Investment area	By 2050		2025 – 2030 plan: No Improvement		Slower		Medium		Faster	
	What will SWW deliver?	How much? (2050)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)	What will SWW deliver?	How much? (2030)
Net Zero Carbon (including emissions and carbon in materials)	Net zero by 2045	£20	n/a	n/a	Delay investment to after 2030	£0	Steady level of investment to 2045	£4	Spend more to reduce carbon sooner (net zero by 2040)	£8
Boosting nature - habitat creation, including peatland and seagrass restoration	375,000 hectares	£18	No habitat improvements	£0	50,000 hectares	£2	125,000 hectares	£5	250,000 hectares	£12

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Showcard F5

Trusted customer and community experiences

	2025 – 2030 plan					
	Slower		Medium		Faster	
Investment area	What will SWW deliver?	How much? (In 2030)	What will SWW deliver?	How much? (In 2030)	What will SWW deliver?	How much? (In 2030)
Additional customers supported by social tariffs (currently supporting 60,000 customers)	0 additional customers Estimated that 10,000 customers would move into water poverty	£0	Extra 10,000 customers Ensuring that no customers are in 'water poverty'	£10	Extra 20,000 customers (including those who are just about managing)	£20

* Water poverty is defined as customers whose water bill exceeds 3% of their income left after tax and housing costs (i.e. mortgage or rent)

Showcard G

Overall plan by 2030

Ambition	No improvements	Slower	Medium	Faster
1. Resilient water resources through healthy catchments (protection from drought)	£0	£9	£15	£22
2. Top quality drinking water	£0	£5	£11	£15
3. Controlled and treated wastewater flows (including addressing storm overflows)	£0	£42	£77	£120
4. Protected and enhanced natural resources (including net zero)	£0	£3	£9	£20
5. Trusted customer and community experiences (customers who struggle to pay supported through social tariffs)	n/a	£0	£10	£20
Total bill increase for the average household by 2030 (before inflation)	**£0**	**£59**	**£122**	**£197**
Average household bill in 2030 (before inflation)*	**£476**	**£535**	**£598**	**£673**

* Current average annual household bill is £476

Showcard H

SWW's proposed plan for 2025 - 2030

Ambition	Slower	Medium	Faster	SWW Proposed Plan
1. Resilient water resources through healthy catchments (protection from drought)	£9	£15	£22	£19
2. Top quality drinking water	£5	£11	£15	£11
3. Controlled and treated wastewater flows (including addressing storm overflows)	£42	£77	£120	£72
4. Protected and enhanced natural resources (including net zero)	£3	£9	£20	£5
5. Trusted customer and community experiences (customers who struggle to pay supported through social tariffs)	£0	£10	£20	£10
Total bill increase for the average household by 2030 (before inflation)	**£59**	**£122**	**£197**	**£116**
Average household bill in 2030 (before inflation)*	**£535**	**£598**	**£673**	**£593**

* Current average annual household bill is £476

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Appendix C – Pre-reading

South West Water

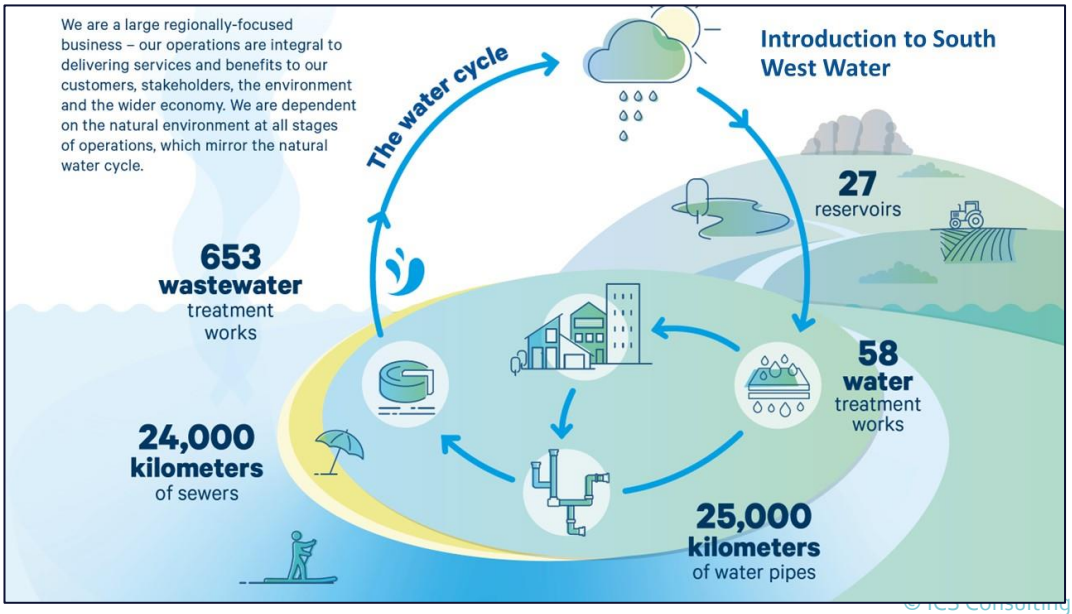
Business plan testing 2023

South West Water – 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.

This reading pack will introduce you to South West Water and detail the activities they undertake and their responsibilities. Your views are important as South West Water continues to plan for the future.

We are a large regionally-focused business – our operations are integral to delivering services and benefits to our customers, stakeholders, the environment and the wider economy. We are dependent on the natural environment at all stages of operations, which mirror the natural water cycle.



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South West Water is 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.

South West Water is 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.

THE REGIONS WE SERVE

Did you know?

There are **11** water companies that provide both **water and sewerage services**. There are also **5** companies that provide **water services only**.

Some households have two different suppliers, e.g., some customers in Bournemouth receive water services from Bournemouth Water and sewerage services from Wessex Water. Companies often send one joint bill to customers for simplicity.

SOUTH WEST WATER'S PURPOSE
Bringing water to life –

supporting the lives of people and the places they love for generations to come

The Regulators

There are agencies and public bodies, known as regulators, that ensure that the water companies, including South West Water, provide high standards of service at a fair price, as well as protecting the environment. There are tough consequences if water companies fail to meet their legal requirements or their commitments to customers or the environment.

Ofwat

- 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

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

Consumer Council for Water

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.

Drinking Water Inspectorate

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

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.

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YOUR WATER YOUR SAY

South West Water's journey so far

	20-30 YEARS AGO		NOW
Water quality – samples failing tests	2%	→	**0.04%**
Sewage treatment	250 raw sewage outfalls open	→	**All raw sewage outfalls closed**
Sewer flooding inside properties (per 10,000 properties)	3.8	→	**0.63**
Sewage – sludge disposal	30% disposed to sea	→	**100% treated/harvested into fertilizer**
Bathing waters classed as good or excellent	28%	→	**99%** with 100% meeting legal standards
Leakage (millions of litres per day)	1/3 higher than today	→	**126**
Low pressure (properties)	0.70%	→	**0.02%**
Supply interruptions (average minutes per property)	Up to 60+	→	**5-10 minutes**
Reservoirs	24	→	**27**

The challenge now is to continue this journey, continuing to deliver public health and environmental value as the population grows and climate change impacts.

Did you know?

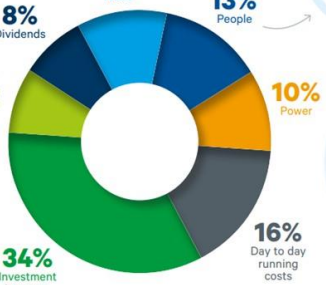
- £13 billion investment in the last 30 years
- Bills at a little over £1 a day
- 100% coastal bathing water quality compliance
- Over 100,000 hectares improved through catchment management
- c. 2.35 million visitors to our sites
- 3 new reservoirs in last 16 years
- 99.96% drinking water quality samples meeting all stringent tests set
- c. 100,000 customers benefit from one of affordability schemes

How much does this all cost?

Our annual spend is around **£900m**

We finance large programmes of investment using a mix of loans and equity from shareholders. This allows us to spread the costs over time to keep customer bills low and stable. In return we pay interest on our loans and dividends to our shareholders.

Making sure our company is a Great Place to Work



Mayflower – our state-of-the-art water treatment work in Plymouth

Around £300m

Day to day running costs include maintenance costs related to our network and treatment works, chemical costs for water treatment, and other operational costs.

Of the £900m spent each year, around £700m comes from the money we collect from customers. The rest comes from other sources of finance – this helps to spread the cost over a longer period of time to keep bills stable and lower.

OUR FUTURE PLANS WILL CONTINUE THE JOURNEY WE HAVE STARTED FOR THE NEXT GENERATION

We have clear processes in place to develop future plans

Key trends → **Challenges we face** → **Our future ambitions** → **Enablers for change**

We horizon scan, examining how emerging trends and developments could impact on policy, communities and our services and operations. This helps us take a longer term strategic view.

We face challenges ahead. But these are interconnected challenges and through a shared understanding of these we can collaborate and work together to address the challenges.

Our ambitions reflect our purpose, key trends and challenges, and the views of customers and stakeholders. They are our strategic responses to these challenges we face.

System, culture and behaviour change can facilitate our plans. We use our plans to respond to policy and regulatory changes, in order to deliver value for money plans. There are key enablers that can help build delivery of our plans in a joined-up way.

Did you know?

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. Companies also need to meet strict legal requirements.

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. Water companies do research to ask customers whether their plans are 'acceptable' and whether they can afford the proposed bills.

The business plan and prices are then finalised by Ofwat in a process known as the Price Review.

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South West Water – Customer Engagement 2023

During our session we will be exploring your views on South West Water and what you think their priorities should be for the next 25 years.

Thank you for taking the time to read this background information. Before the session please 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
Final	Sarah Williams	Sandra Randall	

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230726 SWEW233 BP and LTDS Testing Report v1.0 DRAFT

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

www.icsconsulting.co.uk