

South Staffs Water Customer Challenge Group – Customer Research Task Group

Conference Call, 11am, November 1st, 2013

Taking part:

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| Rachel Barber | South Staffs Water, Customer Services Director |
| Steve Morley | South Staffs Water, Compliance Director |
| Steve Grebby | Consumer Council for Water/Cambridge Local Water Forum |
| Rachel Talbot | Citizens Advice Bureau/ Cambridge Local Water Forum |
| Bernard Crump | Consumer Council for Water/ SSW Customer Challenge Group |
| Richard Thompson | Environment Agency/ Cambridge Local Water Forum |
| John Thompson | Chairman of the South Staffs Water Charitable Trust |
| Greg Marshall | Environment Agency/South Staffs Water Customer Challenge Group |
| Dr David Wurr | Consumer Council for Water/ SSW Customer Challenge Group |
| Amanda Borrmann | ICS Consultancy |
| Sue Cantwell | Community Research |
| Rebecca Addis | Community Research |

Apologies were received from:

Colin Greatorex Lichfield District Council/SSW Customer Challenge Group

The purpose of the conference call was to look at the results of the acceptability research and the draft business plan consultation.

Acceptability research

Rachel Barber explained that the Acceptability research undertaken by ICS was the lead research on which the Company is basing its business plan, since it is representative of the customer base.

Amanda Borrmann went through a presentation of the research findings. She outlined the methodology of the research and said that the results had been weighted between South Staffs customers and Cambridge region customers.

Key findings:

- Acceptability – overall 82% of respondents agreed with the proposed price rise when using today's prices, though this fell to 59% when inflation was taken into account. It had been agreed that the rise based upon today's prices should be used using advice from:
 - Academic/Peer review advice
 - H.M. Treasury Green Book
 - Real income forecasts

Amanda also reminded the group that Ofwat used today's prices at PR09.

A number of members disagreed with this assumption and ICS were asked to provide more specific details of it. It was suggested that use of the Green Book was inappropriate because it is aimed at public sector bodies (not private companies) and in any case it says that where price rises exceed inflation the relative price change should be calculated.

Challenge: The company should take on board the views expressed about real and inflation-based price rises and use the inflation-based rate result (59%) as the acceptability level.

Rachel Barber confirmed that the debate had taken place at Board regarding the Acceptability Research results and confirmed the 82% was the right approach.

- Importance of key activities – the research showed the majority of people were in favour of the proposed key activities, with slightly more in favour of activities around safe drinking water than for environmental improvements. Enhanced metering was less well received with 18% not agreeing to proposed changes.

Greg Marshall asked if there was room for further investment in the environment, given that 24% of people wanted to see higher spending in this area, to which Rachel Barber replied that there are priorities on the budget, and the company is trying to keep bills as low as possible. The Company is also reviewing its metering investment in light of the research.

Action: To discuss metering proposals at the November 15th meeting.

Challenge: How does the company plan to respond to the research findings?

- Merger savings and social tariff. Customers would prefer the savings to be passed on to all customers through lower bills, though if the savings must be invested, they would like to see the money used for supply pipes rather than for vulnerable customers. Some 60% were in favour of a social tariff, but only 25% agreed with a social tariff and the impact on bills.

Rachel Talbot asked if respondents were informed that £11 of the bill goes towards subsidising people in difficulties and that the merger money, if used to help vulnerable customers, would reduce that amount, while if used to offset bills overall would only be 56p per customer.

Amanda confirmed that that the cards used in the research explained to the customer the support from customer bills to aid debt.

Draft business plan consultation

Rebecca Addis outlined the consultation methodology, saying there were a high number of responses (983). Of these, only 14 were business customers or other stakeholders, and of the total more than half were from Cambridge region; most of those from South Staffs region were from the online panel. As this was engagement rather than research, the results could not be extrapolated or be said to be representative of all customers.

Key findings:

- Outcomes. 87% agreed the outcomes are important to customers and 80% agreed with their measures.
- Change of occupier metering. 82% agreed with proposals, with more from Cambridge region than South Staffs being in favour. Of those who disagreed, 13% wanted to see more metering.

- Environment, 81% agreed with proposals. Of those who disagreed, 42% said more should be done.
- Underground pipe maintenance. 80% agreed with proposals. Of those who disagreed, 74% wanted to see more being done.
- Nitrate removal stations. Overall, 76% agreed, with more doing so in the Cambridge region, which may be because they are more aware of them due to the more rural nature of the area.
- Storage reservoirs. 81% agreed with the proposals for investment.
- Social tariff. Those respondents on high incomes and those on low incomes were more likely to be in favour. More than a quarter disagreed with the concept and felt it was not the responsibility of water companies to provide such a tariff, but that it should be through the benefits system.
- Using merger savings to help customers struggling to pay their bill. 47% agreed with this, but some customers may have misinterpreted the question as meaning reducing costs for all customers or they may have had a different interpretation of 'struggling' than the company intended to imply.
- Proposed price increase. 52% agreed it was acceptable. However, the question included the inflation rate. Those on lower incomes were less likely to find it acceptable.

David Wurr said the high response rate was fantastic, especially as the results on outcomes were in line with the acceptability research results on outcomes.

Any other business

Greg Marshall commented that he is working on his contribution for the assurance report. Rachel Barber said this report will be discussed in closed session at the November 15th meeting, and Bernard Crump said a draft of the final report should be ready for November 20th or 21st, allowing time for members to make comments.

Rachel Barber thanked everyone for taking part and said actions from the meeting will be circulated next week.