



The voice for water consumers
Llais defnyddwyr dŵr

Non-Household service expectations and views on Draft Determinations

September 2024



[ccw.org.uk](https://www.ccw.org.uk)

Foreword



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We wanted to understand how business customers feel about their current water and sewerage services, and whether these meet their needs and expectations. Linked to their service expectations, we explored their views on the proposed changes to bills and improvements to services in the Draft Determinations that Ofwat published in July 2024. While business customers in England receive their retail services from retailers in the open water retail market, water companies continue to provide their water and sewerage services. The cost of delivering these services make up the bulk of charges that business customers pay, so Ofwat's price determinations will impact businesses as much as households.

Our findings revealed there is a limited understanding of how the industry works but, overall, satisfaction with current water and sewerage services is high and expectations are generally being met. That said, there is also frustration with the water sector, which is recognised as being in need of major investment.

Businesses were likely to be less concerned about proposed bill increases where they feel more financially stable, and are pragmatic about the need to pay for investment. However, those who are less secure, or feel more anxious about the future, are more concerned about increases. Regardless of financial status, businesses were generally more negative about proposed increases in excess of 50%.



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The research also highlighted the challenges of communicating complex information. Businesses struggled to understand some of the areas of the research and, in some cases, felt they needed more information to help their understanding. We will work with the industry to ensure that such information is more accessible in the future, and also push for water companies to engage more with their business customers, and show what their money will be spent on.

We will use the findings from this research to help ensure that Ofwat's Final Determinations reflect business customer expectations and experiences of current services, as well as working with retailers and water companies to increase support to those who may struggle with price increases.

Adam Boyns

Policy Manager



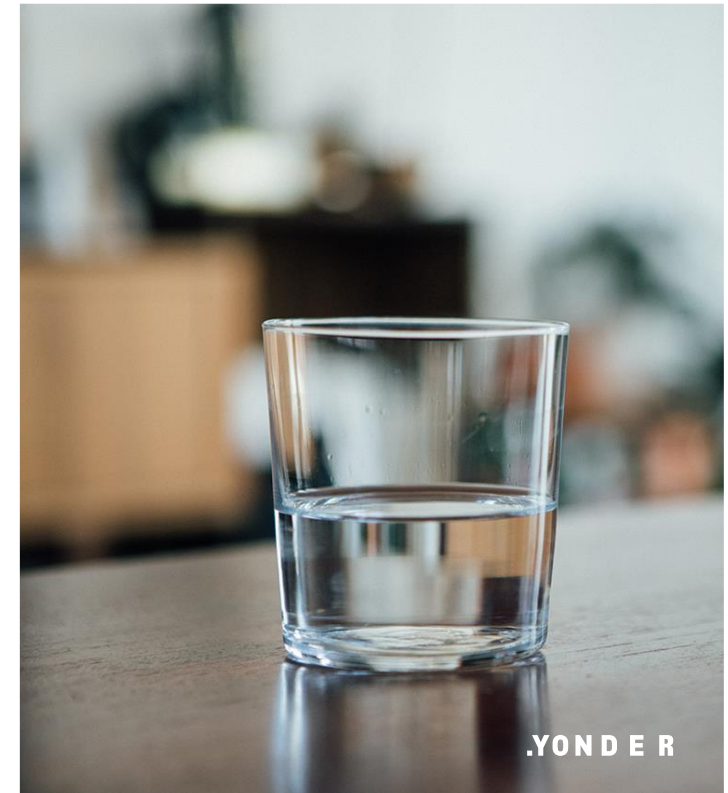
Background and objectives



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1. Understand experiences of current water and sewerage services across a range of business sizes

2. Gauge support for the direction of travel indicated in Ofwat's Draft Determinations



Sample and methodology



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Methodology

25 x 75 minutes depth interviews with decision makers from micro, small and medium businesses.

Participants were shown stimulus explaining the Draft Determinations in an accessible way

Fieldwork was completed 22nd July – 9th August 2024

Business size	
Micro 1-9	5
Small 10-49	12
Medium 50-249	8
Total	25

Water reliance	
Essential	17
Not essential	8
Total	25

Location	
England	18
Wales	7
Total	25

Business sector	
Accommodation and food service	4
Administrative and support service activities	
Agriculture, Forestry and Fishing	
Arts, Entertainment and Recreation	
Coastal sector business	1
Construction	3
Education	3
Electricity, Gas, Steam and Air conditioning supply	
Financial and Insurance activities	
Human health and Social Work activities	1
Information and Communication	1
Manufacturing	3
Mining and Quarrying	
Other Service Activities	
Professional, Scientific and Technical activities	1
Real Estate Activities	1
Transportation and Storage	1
Tourist industries	1
Water Supply, Sewerage, Waste Management and Remediation Activities	
Wholesale and Retail Trade	3
Other (Please specify)	2
Hospitality	
Total	25

A note on stimulus

- Pre-prepared stimulus was shown within the sessions. Stimulus was rotated across the range of participants so that each draft decision by Ofwat received a ‘fresh’ read.
- The performance commitment targets are sector wide targets taken from Ofwat’s Draft Determination – e.g. the commitment to reduce leakage by 13%. The graphs on slides 32 – 38 are based on industry targets.¹
- Within the sessions, customers were shown potential bill increases after inflation. These were based on a spreadsheet provided by Ofwat after their assessment of each water company’s business plan and requested price increases. CCW’s data team then made the data more accessible for publication and for sharing with participants.

How to read this report



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- When reviewing the Draft Determinations, businesses repeatedly asked for more information on timelines and had an expectation that detail at a company level would be provided.
- This information was not provided in the stimulus tested. Proposed targets were shown at industry level in order to get views on the overall direction of travel.
- The perceived gap in the information that businesses saw, raised the issue of how wholesalers should present plans for investment in services and there was appetite to see this kind of information. It is hard to say how far this interest was due in part to taking part in this research or a genuine desire for this information.



Executive summary



Key findings



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1

Businesses are still recovering after a tough few years following Covid-19 and the increase in energy prices. Whilst there are shoots of optimism that the economy is beginning to recover, finances remain tight, and all outgoings are monitored closely in case additional savings can be made.

2

Water is a low engagement topic for business customers – their priority is that it ‘just works’ and generally, satisfaction with the service provided was high. The extent to which businesses are impacted when there are disruptions to their water supply depends on how critical water is for day-to-day functions. There is very limited understanding of how the water industry works and how it is regulated. Trust in the industry remains low given the recurrence of negative media.

3

Overall, the Draft Determinations are well received as it is seen as a positive that wholesalers are investing. The best received are those which are seen as making proactive changes which will have positive knock-on effects - such as fixing leakage and replacing pipes.

4

The lack of targets around measures which can help businesses be more sustainable (and help them be held accountable to their sustainability goals) was felt to be a gap in the Draft Determinations. Businesses want to feel as if they are doing all they can to be more green and ultimately save money, if possible.

5

Businesses which are more financially stable have more tolerance towards the proposed bill increases. Those who are less stable expressed concern. Regardless of financial status, increases higher than 50% were negatively received because of a feeling the customer is being punished for the wholesalers' mistakes.

**Business context,
perceptions of the
water industry and
wholesaler**



Despite businesses still navigating financial uncertainty, there is positivity about the future

- Businesses are **gradually recovering** from the challenging financial conditions caused by COVID-19, the cost-of-living crisis, and geopolitical conflicts
- Financial uncertainty has altered consumer spending behaviour, forcing **businesses to adapt and adjust their operations**, such as relocating offices, seeking loans, and reducing non-essential costs
- The recent **rise in utility bills** in particular, have put pressure upon businesses to cut their expenses
- Smaller businesses are focusing on **cutting down non-essential costs**, renegotiating contracts, and prioritising strategic spending to enhance operational efficiency
- However, despite needing to take measures to save costs, there is a feeling that the economy is beginning to recover and businesses are feeling **more positive about the future** of the UK economy

"We are seriously thinking of getting rid of the unit and moving to the garden shed as everything is going up...electricity, broadband, water and we can't charge to the customer." Micro business



"Any increase in expense has a massive impact on such a small company." Micro business



"We had some issues in the past, but our future is rosy." Small business




Customers have expectations from wholesalers which reflect their basic needs



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- Customers do not make a distinction between water services and sewerage when considering their wholesaler. Their priority and focus is upon their primary point of contact – their water services.
- **Clean:** Customers prioritise access to clean, safe water. They expect wholesalers to ensure that their water is free from contaminants and to meet quality standards.
- **Available:** Reliable availability of water is crucial. Customers expect consistent and uninterrupted water supply, with minimal disruptions or service outages.
- **Affordable:** Customers want water services that are reasonably priced and not a financial burden.
- **Reliable:** Customers expect customer service to be reliable, with prompt responses to any issues or service interruptions.



“We did get one text message a couple of years ago about a local burst water main. It didn't affect us, but it felt like we could rely on their quick fix and communication.” Small business



“As long as there's water and it's running and there's no supply issue, then I am satisfied.” Small business



“When we need to contact them, there is always someone there. Their online portal works fine and is handy. I am very satisfied with their communication and service. No trouble at all.” Small business, Wales

Despite satisfaction with their own water services, there is unhappiness with the broader industry



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Customer views of their own wholesaler

- Most customers experience minimal issues with their wholesalers, leading to high levels of satisfaction
- Water bills are seen as being reasonable – particularly when compared to energy and other utilities
- The majority of customers do not actively think about their water services, reflecting a **stable and positive (but passive) relationship** with their provider

“Don't feel the same pressure with water bills compared to electricity bills.” Medium business

Customer views of the water industry

- Water is a low interest topic
- There is a general lack of understanding about how the water industry operates, including limited awareness of Ofwat's role and functions
- Wholesalers are frequently linked with **negative issues** such as sewage, leaks and pollution leading to negative public perception
- **Media coverage** heavily influences public views, often overshadowing any positive contributions made by wholesalers

“There is a lot in the press about sewage and water pollution... this is disgusting!” Small business



When businesses report an issue, wholesalers are efficient in fixing it



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- Overall, businesses have a **positive relationship** with their wholesaler. Those who have never had problems are particularly satisfied with the service.
- Businesses who have faced problems with their water services generally report that the wholesaler **addressed their concerns effectively**. For example, common issues include smart meter installations, burst pipes, water quality and colour concerns.
- For those who have encountered service disruptions, the wholesaler **provided quick and effective fixes**, reinforcing a positive perception among those affected by problems.

“I didn't have any issues with my water company. Only one time the water colour was off, but it passed after a few hours, and I haven't had problems since.” Small business

“In Wales, we have only one organisation that manages everything from water supplies to drainage and sewage. We also export a lot of water and Welsh Water is a non-profit company, which means it helps to keep the price down for the customers.” Medium business, Wales

“If there is a problem would contact Castle Water on their website and that might link me to Southern Water.” Medium business

“Sometimes it's hard to get through to the right person, but the overall service is good.” Medium business

Views on Ofwat's Draft Determinations



Overall, the Draft Determinations are positively received



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The Draft Determinations areas are well received for being beneficial areas to make investments in. However, there is low awareness of Ofwat and little knowledge of how the water industry works. There is an overall need for more information and education on the water industry.

Maximum Revenue Allowance: a limit is set on the revenue each company can charge its business customers through bills. This cap ensures that there is a maximum amount they can charge

Proposed investment for services: Wholesalers are expected to achieve specific service levels in return for the permitted increase in costs

Financial rewards: The DD includes financial incentives to encourage wholesalers to improve their services. There are also penalties for non-performance, requiring wholesalers to return money to their customers if they fail to meet the required standards

Consumer responses:

- Reacted positively to this idea as a means of preventing exploitation
- Will allow customers to be more aware of what they are spending, and help them to plan their finances better
- Need more clarification on the cap and how it's calculated – i.e. is it the same for businesses of all sizes and water usage?

Consumer responses:

- Positively received – believed this should be standard practice in a customer service arrangement
- However, given knowledge of the sector is so limited it's hard for businesses to assess whether the specific service levels are sufficiently 'stretching' or whether they've deliberately been made easy to meet

Consumer responses:

- There is broad support for financial penalties as this is seen as being a fair incentive for the wholesalers
- There is less support for financial incentives – although recognised this can be effective and motivating, there is also a feeling that they shouldn't be rewarded for 'doing their job'

Proposed investment for services: Invest £10 billion in storm overflows



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Overall appeal

- This initiative is well received across businesses. However, those who are affected by storm overflows feel the message is more relevant to them, while businesses that are not affected by the issue feel more neutral.

Impact on perception of wholesalers

- There is a strong public belief that wholesalers should have addressed this issue years ago, highlighting the need for proactive action to meet long-standing expectations.
- In the past, negative media PR around storm overflows has damaged trust in wholesalers. Therefore, a strong environmental commitment could positively impact brand perception and help restore trust towards wholesalers.

The statement

Invest £10 billion to reduce harm from storm overflows

This will see a combination of increasing storage in the sewerage network, expanding monitoring of how many sewage spills are occurring, and delivering natural drainage solutions.

Storm overflows need to be addressed, but feel relevant only for businesses located in affected areas



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Understanding

- The statement is clear and people understand the message. However, there is confusion on quantifying £10 billion investment with participants struggling to grasp the impact of what this would mean in practice.

Expectations

- It is in line with expectations that storm overflows are a focus area for the Draft Determinations. However, the expectation is that the investment is made from water company revenues, instead of the customers' bills.



Impact on businesses which have been previously impacted by storm overflows

- Businesses who are directly affected by storm overflows appreciate the prospect of investment.
- For these businesses, improving storm overflows is likely to have a positive knock-on impact on surrounding areas such as cleaner water in rivers and beaches which can impact upon tourism and footfall.
- Those businesses which have also experienced disruption as a result of storm overflows (e.g. flooding and geysers) welcomed this.

Impact on businesses which have not been previously impacted by storm overflows

- Businesses which have no connection with storm overflows felt positively about the intention of the Draft Determination but struggled to find any meaningful connection with how this investment would benefit their business.

There is desire for more detail and clarification about the benefits and investments



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Improvements and considerations

- Define the **specific harms** addressed by the £10 billion investment, including environmental, public health, and water quality.
- Present a **comprehensive financial breakdown** of the £10 billion, detailing allocations for storage, monitoring, and drainage solutions in an **accessible format** to the layperson.
- Provide a **detailed timeline** with key milestones and phases for project implementation.
- Clarify the **geographic areas targeted** for improvements in sewerage infrastructure and natural drainage.

“Investing £10 billion [is] overkill.” Micro business

“More geographic info needed. Where in the country will this money be spent?” Small business

“I don't know how much £10 billion would go to helping the issue as I have no concept of cost. Will they just do it in the easy areas to fix?” Small business

Proposed investment for services: Cut leakage by 13%



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Overall appeal

- This Draft Determination is seen as being the area which needs action to be prioritised. Customers feel upset with the thought of water (and money) being lost and wasted through leakage.
- This idea resonates strongly as there is a clear link between solving leaks and reducing bills.
- There is an inherent understanding that the water pipes are old (laid down in Victorian times and need replacing).

Impact on perception of wholesalers

- This Draft Determination has a positive impact as it makes customers think their wholesaler is being proactive in tackling a widespread problem across the UK.
- Businesses feel positive towards wholesaler as they are perceived as more economical and eco-friendlier and will ultimately benefit customer bills.

The statement

Cut leakage by 13%

This is not only repairing leaks, but investing in smart technology to better detect leakage, such as more smart meters.

Leakage is recognised to be a widespread issue and action to tackle it is welcomed



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Understanding ■

- There is a high awareness that leakage is a wide spread problem nationwide and that old infrastructure needs to be repaired.
- The idea feels tangible, and customers understand its aims to improve efficiency using water company investments and smart meter technology.

Expectations ■

- Given this is such a fundamental issue there is an expectation that the target to cut leakage by should be much higher than 13%.
- There are also concerns that this could lead to significant disruption to local communities (which could impact upon businesses)



Impact on businesses ■

- Businesses are aware that leakages impact their bills and create lots of water waste. Cutting leakage would have a positive impact upon all businesses – those which are water critical are particularly positive as they may benefit from fewer supply interruptions as a result of leaks.
- However, those businesses which rely heavily upon road access (e.g. deliveries) and footfall expressed concern over the impact that huge amount of extended digging might have to fix leaks

A detailed timeline and target would help to convey an impactful message



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Improvements and considerations

- A **clear timeline** showing the steps and key dates for reducing leakage would help people understand how long the project will take and what to expect.
- More **details about the 13% leakage figure** are needed, as it is considered a low figure and therefore can be disappointing. However, the **priority is that leakage is fixed** – if the figure was 70% or higher, that would feel unrealistic.
- Customers want to know more about how leaks are found and fixed, including the **methods and technology used**. This information could help build trust that the interventions are impactful and sustainable.

“If you cut waste, you reduce bills and improve things.” Micro business

“13% figure doesn’t sound like a lot... not a stretched target.” Small business

“By the time you’ve fixed 13% you’ll probably have another 13% of issues somewhere else. How long will it take?” Micro business

“I would like to understand more about how they will use technology to fix leakages.” Micro business

Proposed investment for services: Boost water supplies



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Overall appeal

- This Draft Determination feels relevant for those businesses in areas which do experience droughts (e.g. South East).
- Questions are raised over why this is needed in the first place and if instead, more focus and resource was given to leaks, would we have sufficient water?

Impact on perception of wholesalers

- There are customers which feel positive towards their wholesaler as this means they are taking proactive action and thinking of others who may be impacted by drought.
- For others, this has no impact as they are of a view that drought is avoidable and they shouldn't have to be taking this action.

The statement

Spend £4 billion to boost water supplies

This will include new large-scale water transfer projects. By transporting water across company regions, these may help resolve drought issues and reduce the need to take water from sensitive sites.

Resolving drought issues is perceived relevant, mainly to businesses affected by them



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Understanding ■

- Overall customers understand the statement and the final goal of the action. However, knowledge is limited about how water can be transported across regions.

Expectations ■

- As there are many wholesalers in the UK, £4 billion doesn't sound a sufficient investment to tackle drought. How environmentally friendly it is can also be questioned in how the water is transported (i.e. will this be done by lorries?)



Impact on water dependent businesses ■

- For those businesses that are impacted by drought and which use more water than others (e.g. florists), having access to more water would benefit them and their operations.

Impact on not water dependent businesses ■

- Businesses located in regions that don't suffer droughts feel neutral as they are not directly impacted by the issue and can question the broader impact of transporting water.



Despite the clear message, detailed information on the investment plans would help businesses' engagement



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Improvements and considerations

- There is need for **more information on investment**. Participants struggled to understand whether £4 billion is a fair amount to invest. A cost break down of the investment would help to make the idea more tangible.*
- A **project timeframe** is essential to reassure customers on the execution and output of the idea.
- People struggle to understand the process of transporting water across the regions and the meaning of sensitive sites. Therefore, a more **detailed explanation** would help customers to feel more engaged and reassured that the process is not impacting the environment.
- Clarity on how this **connects with other Draft Determinations** (particularly leakage) so that the investment has longevity.

"Morally it feels like the right thing to do, even if it doesn't affect my area." Micro business

"It's not an issue which directly affects me or my business, but I can see the importance of it." Small business

"The idea makes sense to me i.e. one area has too much and another has less so share it out but how does that work in practice? How do you move millions of gallons of water around the country?" Small business

Proposed investment for services: Combat nutrient pollution



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Overall appeal

- This Draft Determination is well received as the environment is emotive to people. It is crucial that water is safe for natural habitats.
- From a business perspective the message is relevant only to those who are directly affected by nutrient pollution, while other businesses value the wider environmental impact.

Impact on perception of wholesalers

- The Draft Determination brings positive brand perceptions towards wholesalers. It shows they are making steps towards the right direction and care about the environment and wildlife.
- However, due to the media, there are businesses which believe the wholesalers are responsible for nutrient pollution in the first place and therefore feel frustration over the need to invest in something which could be avoidable/prevented.

The statement

Deliver £6 billion of upgrades to combat nutrient pollution

This is aimed at improving the quality of rivers and lakes. Action will include upgrading treatment works to remove nutrients from wastewater, and using nature based schemes like wetlands to provide natural treatment solutions

Despite some confusion, businesses understand the core message



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Understanding ■

- The overall message is not clear. There is confusion about the word 'nutrient' as it is normally associated with something positive. But the message is understood to be "remove nasty stuff and use it to recycle the water into wetlands and marshes".

Expectations ■

- There is a need for education on the topic as customers struggle to understand how the action plan will be rolled out. However, the idea is perceived as potential to increase tourism and thus more job vacancies in the hospitality services.



Impact on businesses near affected areas ■

- Businesses that rely on clean water and are located near rivers feel more connected to the message.
- The intervention is a priority as dirty water can affect business operations in specific areas (e.g. River Esk).
- Could potentially increase tourism and therefore the local economy.

Impact on businesses not near affected areas ■

- This Draft Determination is not considered to have any impact on businesses which are not near affected areas.



Education on the topic is crucial to convey a positive impact



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Improvements and considerations

- Customers feel they **lack education** on the topic, with little understanding of how the process works and what potential benefits for their business would be – particularly if they are not local to an affected area.
- There is a need for **more information** on what the natural treatment solutions are and a clear explanation of words such as nutrient and nature based schemes.
- People struggle to grasp the size of £6 billion and whether this is actually a large or small investment . Therefore, there is a need for a detailed explanation of the process and **a cost breakdown** of the investment.

*“There are lots of negative news in the press regarding water pollution... this is really disgusting and needs to be addressed”
Medium business*

“It just means making it more expensive to be sustainable. Unless there's a big overhaul, it doesn't make a difference. It's a lot of money to be spent when it won't actually impact me/my business.” Micro business

“This isn't upgrading/replacing, it's starting afresh and feels like a more cost effective/less intrusive approach” Small business

Proposed investment for services: Replacing water mains pipes



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Overall appeal

- This Draft Determination is well received and perceived as a **high priority**. There is a wide awareness that pipes are outdated nationwide and there is a need for intervention.
- Customers recognise that old pipes underpin many wider water and infrastructure issues, and the Draft Determination is well received for **addressing a root cause**.

Impact on perception of wholesalers

- The Draft Determination is well received for showing **proactivity** in tackling leakage and strengthening infrastructures.
- However, is also considered to be wholesalers' 'bread and butter' and there are reservations over celebrating this.

The statement

Triple the replacement rates of water mains pipes

This means wholesalers should replace nearly 8,000km of water mains in 2025-30 – around 22 times the length of the River Severn.

Tackling broken water pipes is recognised to be crucial but there are concerns it could lead to disruption



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Understanding

- The concept is clear and widely understood across customers. It provides a timeframe and the exact length of the pipes that need to be replaced. However, there is confusion about the comparison with the River Severn provided by CCW as most people aren't aware of its length.

Expectations

- Tripling is seen as being very ambitious and concerns are expressed that once the project begins will they risk uncovering additional problems.



Impact on businesses

- There is no major distinction between water-critical and non-water critical businesses – broken pipes can negatively affect all businesses.
- It is also assumed that new pipes may have a knock-on effect on water quality which is positively received.
- There are concerns, however, about the potential disruption associated with such a significant upgrade. Roads being closed for long periods of time could impact businesses which rely on footfall / deliveries and add time / costs to their operations.

Businesses feel sceptical about the achievement of the project, there is need for a contingency plan



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Improvements and considerations

- There is a sense that **the project feels too ambitious** and that it may take a long time to do (by which point a whole new set of pipes may need replacing).
- Customers would like a **detailed timeline*** stating the main milestones and deadlines across the full process and clarity on what the impact upon local communities will be and for how long.
- There is concern that wholesalers might uncover problems while replacing pipes. This may imply extra costs and an extension of the project deadline. Therefore, there is a need for a **well-defined contingency plan** in case of work disruptions.

“You have to invest in the infrastructure. The pipework network is pretty old and needs to be replaced. Most of them are from the Victorian age” Small business

“Don't think it will improve my business service... It's like the Forth Road Bridge... It is a never job. They need to tell us when and how it will happen.” Micro business

“Replacing pipes is only one of the issues... what if they face other problems during the project? Is there a plan B?” Medium business

Proposed investment for services: Smart meter rollout



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Overall appeal

- Businesses responded positively to being charged for the actual usage of water.
- However, there is scepticism about the effectiveness of smart meters among people based on the energy smart meter rollout which has not been universally positive or impactful upon bills.

Impact on perception of wholesalers

- The idea of wholesalers investing in technology to help consumers monitor water usage feels progressive and is welcomed.

The statement

Implement the biggest smart meter rollout to date, with 10 million delivered. This is across both Households and Non-Households.

Despite the positive impact, there is the perception that smart meters don't run effectively



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Understanding

- As customers are already familiar with smart meters, the message is understood. However, there can be distrust on the effectiveness of them.

Expectations

- Customers expect that the water smart meter works similarly to the gas and electricity one and so that it is fairer and faster to detect water leakages giving more accurate and timely bills.



Impact on businesses

- There is no major distinction between water-critical and non-water critical businesses in the response to smart meters.
- Trust in smart meters is low as a result of associations from energy and there are concerns that it may actually result in a higher bill – particularly if a bill is very low at the moment.
- There are also concerns over how disruptive it might be to install them and whether the time and effort required will justify the benefits.

Smart meter rollout needs to be gradual and the benefits effectively communicated



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Improvements and considerations

- Those unfamiliar with smart meters question **how they work** and what the benefits are.
- For those who had bad experiences with smart meters in the past, there is a need for strong and clear communication around the **benefits of having a smart meter**.
- Some customers suggested the **rollout shouldn't be compulsory**, so people can be encouraged but not mandated.

"Often smart meters don't work, and you can't get people to the island to fix it" Medium business

"I understand the message, but I want to know what the benefits for me and my business are" Small business

"I never had a smart meter... how does it work?" Micro business

**Views on the
direction of travel of
future performance
targets**



Proposed future performance levels: Pollution incidents

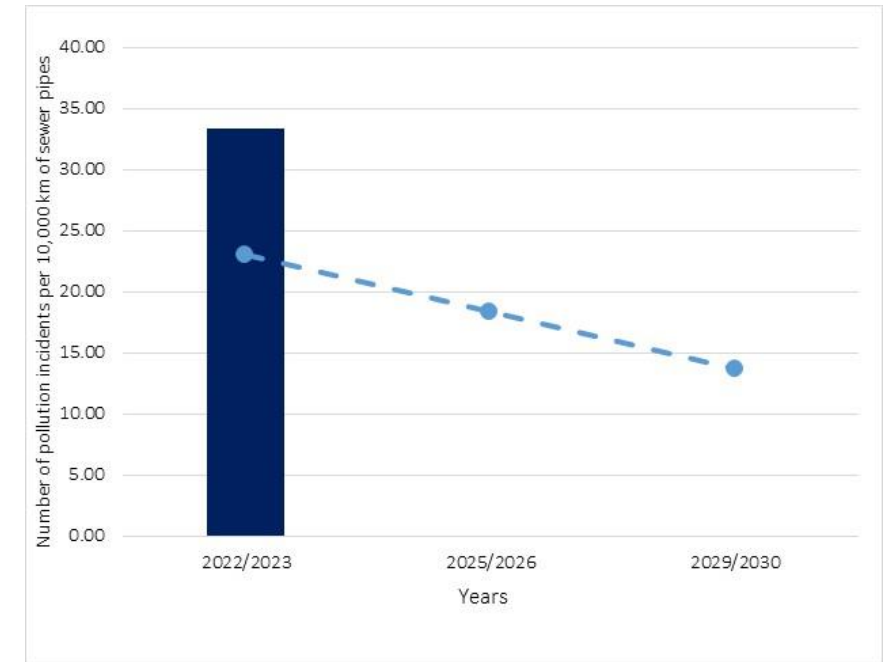


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Pollution incidents (the number of incidents per 10,000 km of sewer pipes)

- Appeal and understanding is limited as this is a low engagement topic / area.
- It is hard for consumers to judge whether the targets are sufficiently challenging or not.
- The trajectory (that it is going down) is positive and well received, however, questions are asked over whether they're realistic given the starting point is from having failed to meet previous targets.

"It looks like quite a punchy target but gives me reassurance that they're going to have to work hard to get this." Medium business



Performance for both England and Wales

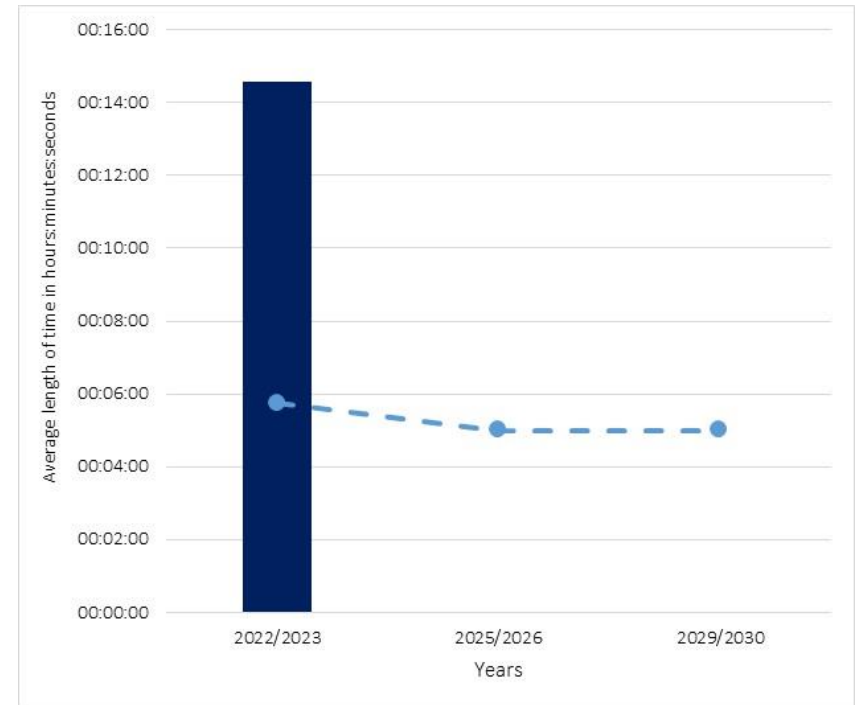
Proposed future performance levels: Water supply interruptions



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Water supply interruption over 3 hours (the average length of time properties are without water in hours, minutes and seconds)

- Initial responses are drawn to how far the target has been surpassed and this gives a negative impression. However, upon explanation and closer inspection it is not seen as that significant.
- 3 hours 6 minutes as a target is considered fine but is ultimately not considered to have that much impact upon businesses as any difference in minutes over 3 hours is not likely to be felt that tangibly.



Performance for both England and Wales

“3 hours is a long time to go without water and if there is a problem I can’t provide a service.” Medium business

Proposed future performance levels: Drinking water quality



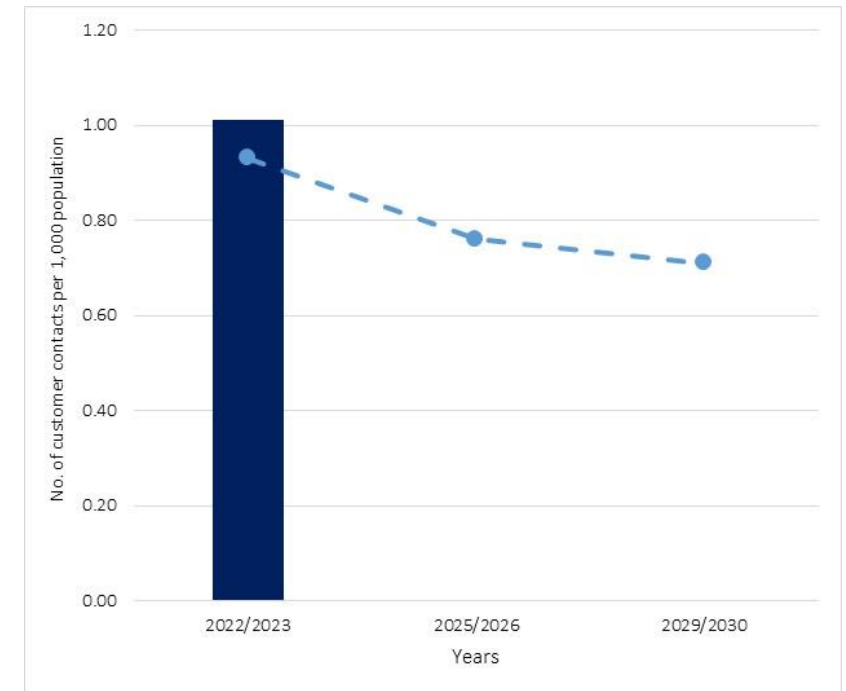
The voice for water consumers
Llais defnyddwyr dŵr

Drinking water quality (number of customer contacts about drinking water quality per 1,000 population)

- Drinking water is emotive to consumers and can be impactful upon businesses. The inclusion of this target is therefore well received.
- However, it is a subjective target – based on customer experiences of quality. Whilst the trajectory is positive and considered achievable, a target which is based around actual metrics of quality* would likely lead to more positive outcomes and therefore be better received.

**It should be noted, however, that consumer understanding and knowledge of any metric will be very limited.*

“Our business doesn’t rely on water as such. However, for staff comfort we need good quality water for making tea and coffee so ‘drinking water quality’ is important to us.” Small business



Performance for both England and Wales

Proposed future performance levels: Sewage flooding inside properties

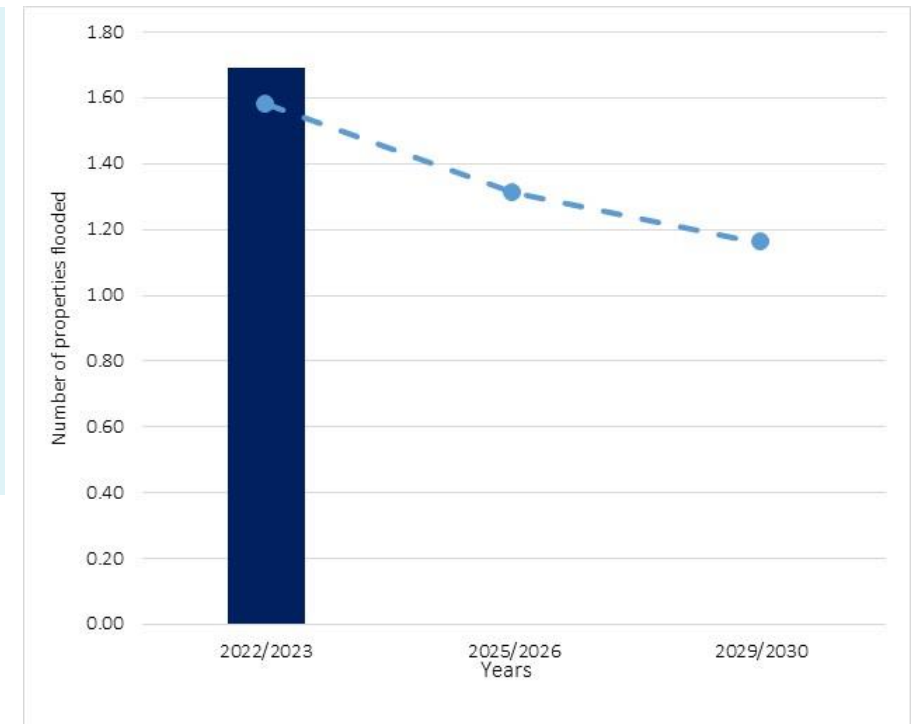


The voice for water consumers
Llais defnyddwyr dŵr

Sewage flooding inside properties (number of properties flooded by sewage for every 10,000 properties connected to the public sewer)

- Understanding of this target can be mixed as where the responsibility lies with the wholesaler and with the business is not always clear / understood.
- However, regardless of understanding, this is an emotive topic as the consequences and repercussions of sewage flooding can be seismic.
- Within this context, the target is not always considered to be challenging enough – there is a view that the target should be 0, given the potential repercussions of a sewage flooding event.

“This should be zero – no one should ever have to experience this.” Micro business



Performance for both England and Wales

Proposed future performance levels: Sewage flooding outside properties

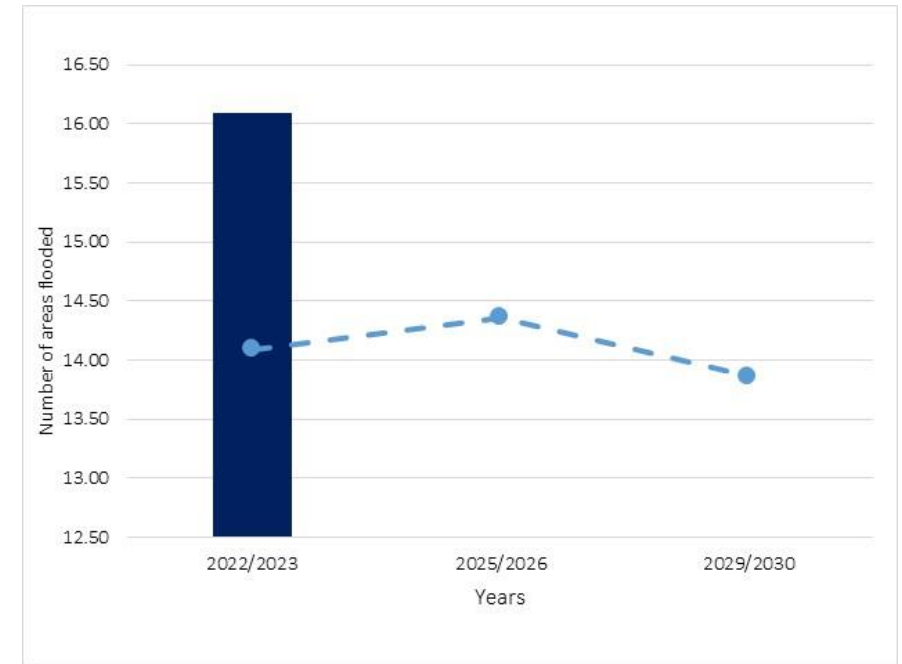


The voice for water consumers
Llais defnyddwyr dŵr

Sewage flooding outside properties (number of external areas flooded by sewage for every 10,000 properties connected to the public sewer)

- Comprehension and understanding of this target is limited.
- It is hard for consumers to judge without understanding what constitutes an 'area' and how large/small this is.
- There is confusion and questions raised over why the target increases and then ends up in a similar point to the initial starting point – why is it not only decreasing?

"I don't really understand why the target seems like it gets easier – surely it should always be heading down?" Micro business



Performance for both England and Wales

Proposed future performance levels: Leaks

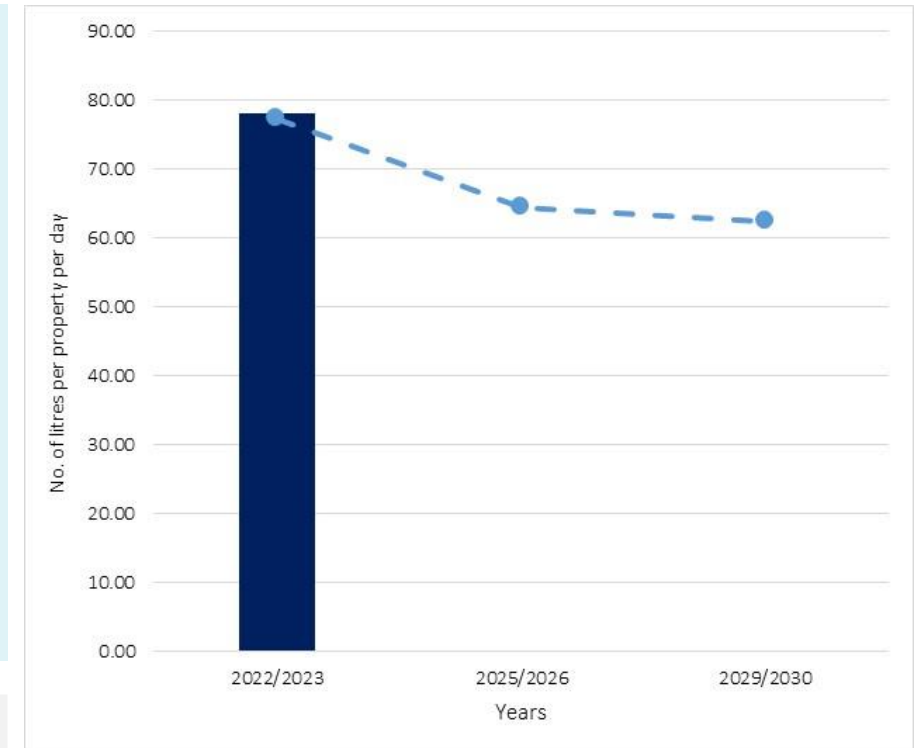


The voice for water consumers
Llais defnyddwyr dŵr

Leaks (the number of liters of water leaked per property per day)

- The target which resonated most with consumers across the sample – leaks are seen as being a tangible and fundamental part of water management/investment.
- Upon examination, the size of the leakage problem is considered quite shocking to consumers, given the amount of lost and wasted water.
- Leakage is considered to underpin many of the other issues identified within the water industry, this target should therefore be lower and more challenging.
- Questions are also raised as to why the target is not significantly lower given all the plans to reduce leakage and replace pipes as outlined in the service Draft Determinations.

“This is money going down the drain. So how quickly it is resolved is important. When you see it like this, you realise how much water is actually being lost.”
Micro business



Performance for both England and Wales

Gaps in Draft Determinations



There is feeling that the Draft Determinations could have more of a focus around how businesses could save water



The voice for water consumers
Llais defnyddwyr dŵr

- Whilst it's recognised that the Draft Determinations cover a broad range of topics, there is a perception that none directly involves a business customer.
- Businesses are motivated by saving money – not only for financial reasons but also for the emotional connection they as individuals have with water.
- They want to feel as if they are also contributing and there was feeling that there may be a lot more which they could do to save and recycle water than they are aware of.
- There is an expectation that wholesalers should be using technology and innovation to show businesses what more they can do to be more sustainable and actively communicating with businesses about the investments and changes being made.
- There is limited awareness of what support and advice retailers offer and no references were made to currently engaging with this service.

"It should be like council tax, they should tell you what the money is being spent on." Medium business

"I would like to know how can we can conserve water better and save money. What would the water board like us as businesses to do?" Small business

Responses to
Financial incentives,
BR-MEX and BMEX
incentive



The principle of the BR-MEX is well received but questions are raised over how it would work in practice



The voice for water consumers
Llais defnyddwyr dŵr

- Customers welcomed the idea of wholesalers being penalised for failing to meet their targets.
- Businesses also recognised how motivating they find new incentives to be within their own businesses and were also supportive of this.
- How effective satisfaction surveys are as a measurement practice was questioned however – as it is anticipated that most contact with a wholesaler comes after a problem or fault, so the results may skew negative.
- Fairness of being measured against everyone else was also unclear – given disparities between different parts of the country it was queried if this would be possible or fair to do.
- Welsh customers were supportive of the BMEX incentive as a clear process for incentivising success.

England customers only

- There will be a new incentive called the BR-MEX which is designed to incentivise wholesalers to perform more efficiently and will also penalise wholesalers if they fail to meet their targets.
- The BR-MEX incentive is made up of customer and retailer experience satisfaction surveys and other performance metrics such as measuring how well any requests are resolved.
- Whether a wholesaler qualifies for a reward or is penalised will be determined by how well they are performing against everyone else.

Welsh customers only

- The BMEX incentive will measure overall business experiences and wholesalers will potentially be either rewarded or penalised based on their performance. There will be a target set with wholesalers earning a reward for performing above the target and incurring penalties for performing below it.

Responses to
proposed bill
increase



Whilst there is recognition that the investment is necessary, no business wants to hear about bill increases



The voice for water consumers
Llais defnyddwyr dŵr

- There is recognition that serious upgrades are required and that many of the pipes and sewage systems are from the Victorian age.
- Ultimately, it is hoped that investment may end up saving money for small businesses – e.g. if less water is wasted through leaks and if there are fewer disruptions which can have a knock on effect down the line.
- However, there is frustration that the need for such major investment is because of a perception of underinvestment by wholesalers which have instead prioritised profits, dividends and bonuses over customers and asset maintenance.

“35% is high and makes no sense. Stop the bonuses...feels insulting when bonuses / dividends get paid out. This price increase could really affect my business, I'll have to consider staff costs and maybe thinking about moving to a smaller premises.” Small business

“My current bill will increase from £500 to about £700 so not really a big problem.” Small business



Being presented with the percentage bill increase is tough news to hear



The voice for water consumers
Llais defnyddwyr dŵr

Percentage increases consistently cause a negative reaction

- Approximately 20% increase over five years is tolerated as this is seen as being in line with increased costs elsewhere
- Anything over 20% increase is considered steep and beyond what is anticipated/expected
- Those facing % increases of 50%+ feel particularly strongly that this is unfair – this feeling of unfairness is exacerbated when there has been particularly negative press surrounding certain wholesalers (e.g. Southern Water* customers who may experience a 60% increase)

Despite being tough to hear, there are businesses which remain pragmatic about the need to invest

- These businesses recognise that costs will always go up and the actual cost increase is good value for the investment.
- They tend to be financially, relatively secure and have confidence they will either be able to absorb the cost or pass onto customers without detriment to their business.

Others, feel anxious that the increase will have a direct impact upon their operations

- Businesses which are financially less secure or which feel more anxious about the future are more concerned about the increase
- Have concerns it may negatively impact upon them – causing them to look elsewhere for small premises / impacting upon growth

Conclusions



Conclusions



The voice for water consumers
Llais defnyddwyr dŵr

- + Businesses are still recovering after a tough few years following firstly COVID-19 and then the increase in energy prices. Their focus is on recovery and so they are sensitive towards any potential disruption which may impact their business.
- + Water is a low engagement topic for business customers and there is very limited understanding of how the water industry works and how it is regulated.
- + When reflecting upon water services, businesses only think of their water services and not sewerage services. Engagement with sewerage services is even lower than with water services.
- + Qualitatively, satisfaction with service provided by wholesalers is high. However, there is frustration over the perceived state of the water industry which is recognised to be aging and in need of major investment.

Conclusions



The voice for water consumers
Llais defnyddwyr dŵr

An opportunity for CCW

There is an opportunity for CCW to advocate for information related to the Draft Determinations to be more accessible and engaging for customers

- + Translating Draft Determinations into stimulus materials is challenging because of the unfamiliar service measures and units of measurement. These are not necessarily intuitive and can seem abstract to the average customer. Participants in this research struggled with the stimulus and there is still more to do to make this information more easily accessible
- + The investments which are best received are those which are seen as making proactive changes which will have positive knock-on effects - such as fixing leakage and replacing pipes. However, there is nervousness that so much work to replace pipes and fix leaks might end up causing significant disruption to local communities.
- + A lack of targets around measures which can help businesses be more sustainable was felt to be a gap in the stimulus shown. Businesses want to feel as if they are doing all they can to be more green and ultimately save money if possible.
- + Businesses which are more financially stable have more tolerance towards the proposed bill increases. Those who are less stable expressed concern. Regardless of financial status, increases higher than 50% were negatively received for feeling as if the customer is being punished for the wholesalers' mistakes.

- The inaccessibility of information related to the Draft Determinations makes it hard for customers to judge how impactful the investments will ultimately be upon their business
- Improving understanding and accessibility could help improve the limited engagement businesses have around water – as this is driven by a lack of understanding



Appendix



Explanation of water and wastewater service



The voice for water consumers
Llais defnyddwyr dŵr

- In England and Wales, a **wholesale water company** is appointed to provide **clean water and/or remove wastewater**. The appointed wholesaler depends entirely on your location and cannot be chosen.
- **Water retailers** are responsible for **customer services and billing**, but the provision of clean water and removal of wastewater are managed by the wholesalers.
- 90% of your water bill provided through your water retailer account for wholesaler services i.e. most of you bill is going to the wholesale water company.

For Example:

- *Thames Water* is a *wholesale water company* that provides clean water and/or remove wastewater in the following regions: London, Thames Valley, Parts of Gloucestershire, Parts of Kent, Parts of Surrey and Parts of Essex
- But the *water retailer companies* that provide the customer services and billings could be *Castle Water* or *Water Plus* to name a few.
- The Draft Determinations we are about to explore determine the conduct of the wholesale company and hence their consequences will impact your bill if the wholesaler does not meet their targets

Draft Determinations



Overview of Draft Determinations



The voice for water consumers
Llais defnyddwyr dŵr

1. **Maximum Revenue Allowance:** a limit is set on the revenue each company can charge from its NHH customers through bills. This cap ensures that there is a maximum amount they can charge
2. **Proposed investment for services:** Wholesale water companies are expected to achieve specific service levels in return for the permitted increase in costs
3. **Financial incentives:** The DD includes financial incentives to encourage wholesale companies to improve their services. There are also penalties for non performance, requiring companies to return money to their customers if they fail to meet the required standards



Proposed investment for services: Storm overflows



The voice for water consumers
Llais defnyddwyr dŵr

Invest £10 billion to reduce harm from storm overflows

This will see a combination of increasing storage in the sewerage network, expanding monitoring of how many sewage spills are occurring, and delivering natural drainage solutions.



Proposed investment for services: Leakage



The voice for water consumers
Llais defnyddwyr dŵr

Cut leakage by 13%

This is not only repairing leaks, but investing in smart technology to better detect leakage, such as more smart meters.



Proposed investment for services: Water supplies



The voice for water consumers
Llais defnyddwyr dŵr

Spend £4 billion to boost water supplies

This will include new large-scale water transfer projects. By transporting water across company regions, these may help resolve drought issues, and reduce the need to take water from sensitive sites.



Proposed investment for services: Nutrient pollution



The voice for water consumers
Llais defnyddwyr dŵr

Deliver £6 billion of upgrades to combat nutrient pollution

This is aimed at improving the quality of rivers and lakes. Action will include upgrading treatment works to remove nutrients from wastewater, and using nature based schemes like wetlands to provide natural treatment solutions



Proposed investment for services: Water mains pipes



The voice for water consumers
Llais defnyddwyr dŵr

Triple the replacement rates of water mains pipes

This means companies should replace nearly 8,000km of water mains in 2025-30 – around 22 times the length of the River Severn.



Proposed investment for services: Smart meters



The voice for water consumers
Llais defnyddwyr dŵr

Implement the biggest smart meter rollout to date, with 10 million delivered. This is across both Households and Non-Households.



Proposed investment for services: Overview



The voice for water consumers
Llais defnyddwyr dŵr

DD - 1

Invest £10 billion to reduce harm from storm overflows - This will see a combination of increasing storage in the sewerage network, expanding monitoring of how many sewage spills are occurring, and delivering natural drainage solutions.

DD - 2

Cut leakage by 13% - This is not only repairing leaks, but investing in smart technology to better detect leakage, such as more smart meters.

DD - 3

Spend £4 billion to boost water supplies - This will include new large-scale water transfer projects. By transporting water across company regions, these may help resolve drought issues, and reduce the need to take water from sensitive sites.

DD - 4

Deliver £6 billion of upgrades to combat nutrient pollution – This is aimed at improving the quality of rivers and lakes. Action will include upgrading treatment works to remove nutrients from wastewater, and using nature based schemes like wetlands to provide natural treatment solutions

DD - 5

Triple the replacement rates of water mains pipes - This means companies should replace nearly 8,000km of water mains in 2025-30 – around 22 times the length of the River Severn.

DD - 6

Implement the biggest smart meter rollout to date, with 10 million delivered – This is across both Households and Non-Households.

Proposed future performance levels: Overview



The voice for water consumers
Llais defnyddwyr dŵr

Waste

Sewage flooding **outside** properties (number of external areas flooded by sewage for every 10,000 properties connected to the public sewer)

Waste

Sewage flooding **inside** properties (number of properties flooded by sewage for every 10,000 properties connected to the public sewer)

Water

Drinking water quality (number of customer contacts about drinking water quality per 1,000 population)

Water

Leaks (the number of liters of water leaked per property per day)

Waste

Pollution incidents (the number of incidents per 10,000 km of sewer pipes)

Water

Water supply interruption over 3 hours (the average length of time properties are without water in hours, minutes and seconds)



Financial Incentives



The voice for water consumers
Llais defnyddwyr dŵr

England customers only

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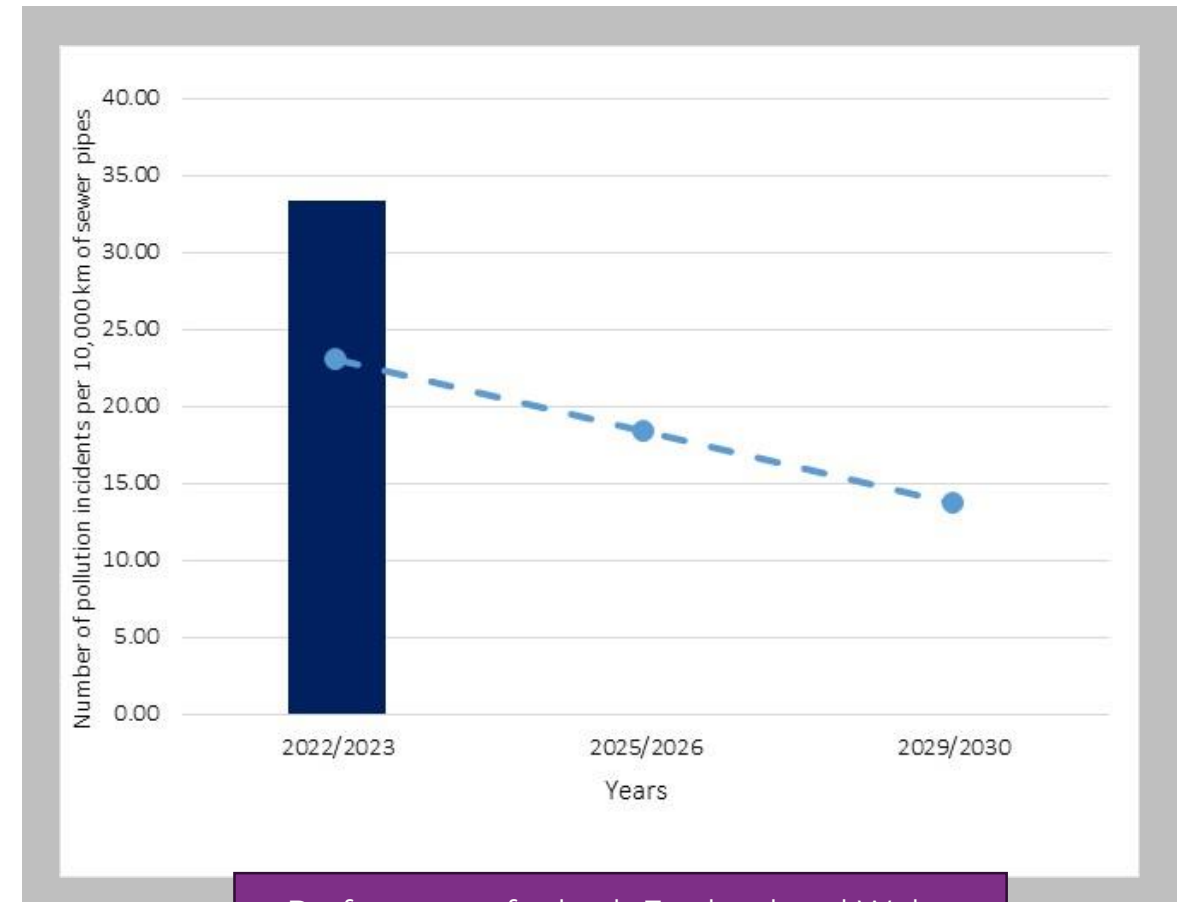
Proposed future performance levels: Pollution incidents



The voice for water consumers
Llais defnyddwyr dŵr

Water

- Pollution incidents (the number of incidents per 10,000 km of sewer pipes)



Performance for both England and Wales

Proposed future performance levels: Water supply interruption



The voice for water consumers
Llais defnyddwyr dŵr

Water

- Water supply interruption over 3 hours (the average length of time properties are without water in hours, minutes and seconds)



Performance for both England and Wales

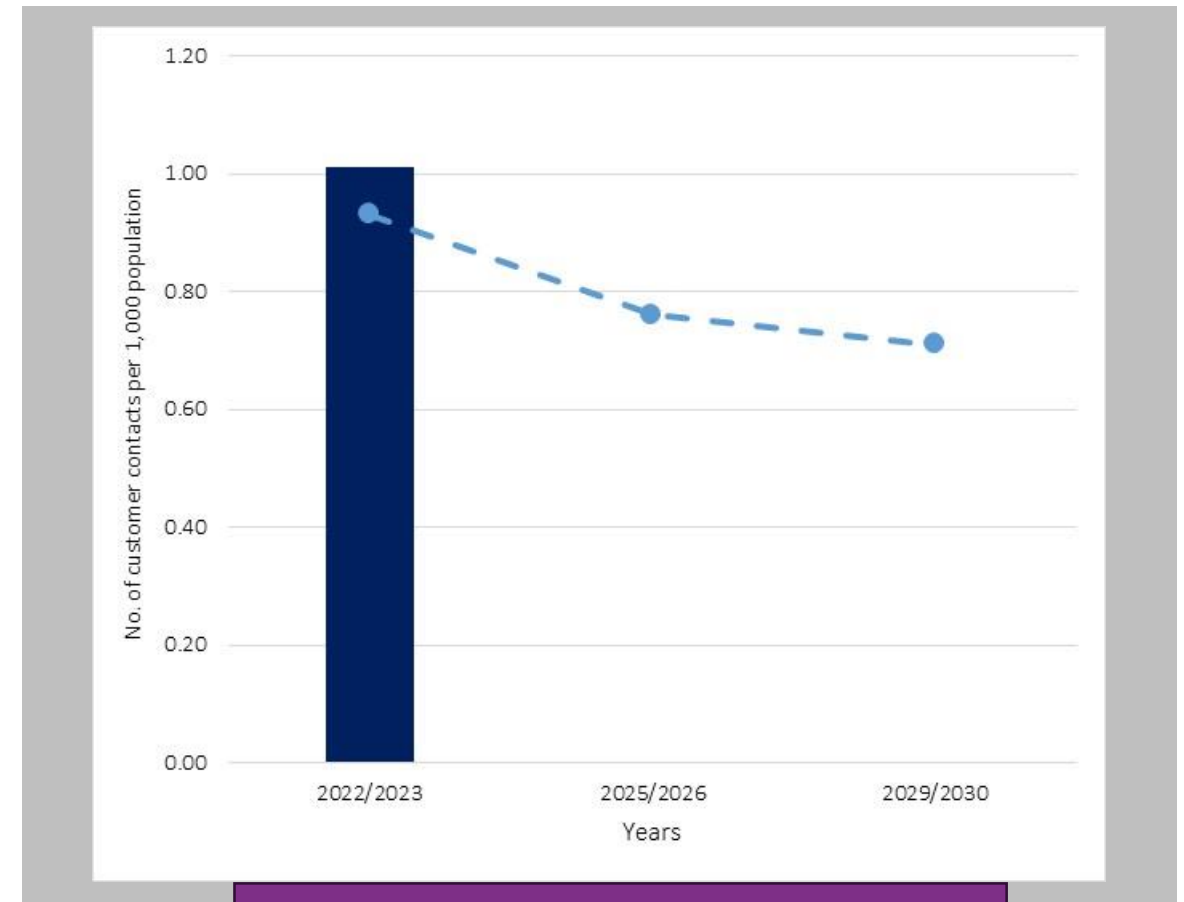
Proposed future performance levels: Drinking water quality



The voice for water consumers
Llais defnyddwyr dŵr

Water

- Drinking water quality (number of customer contacts about drinking water quality per 1,000 population)



Performance for both England and Wales

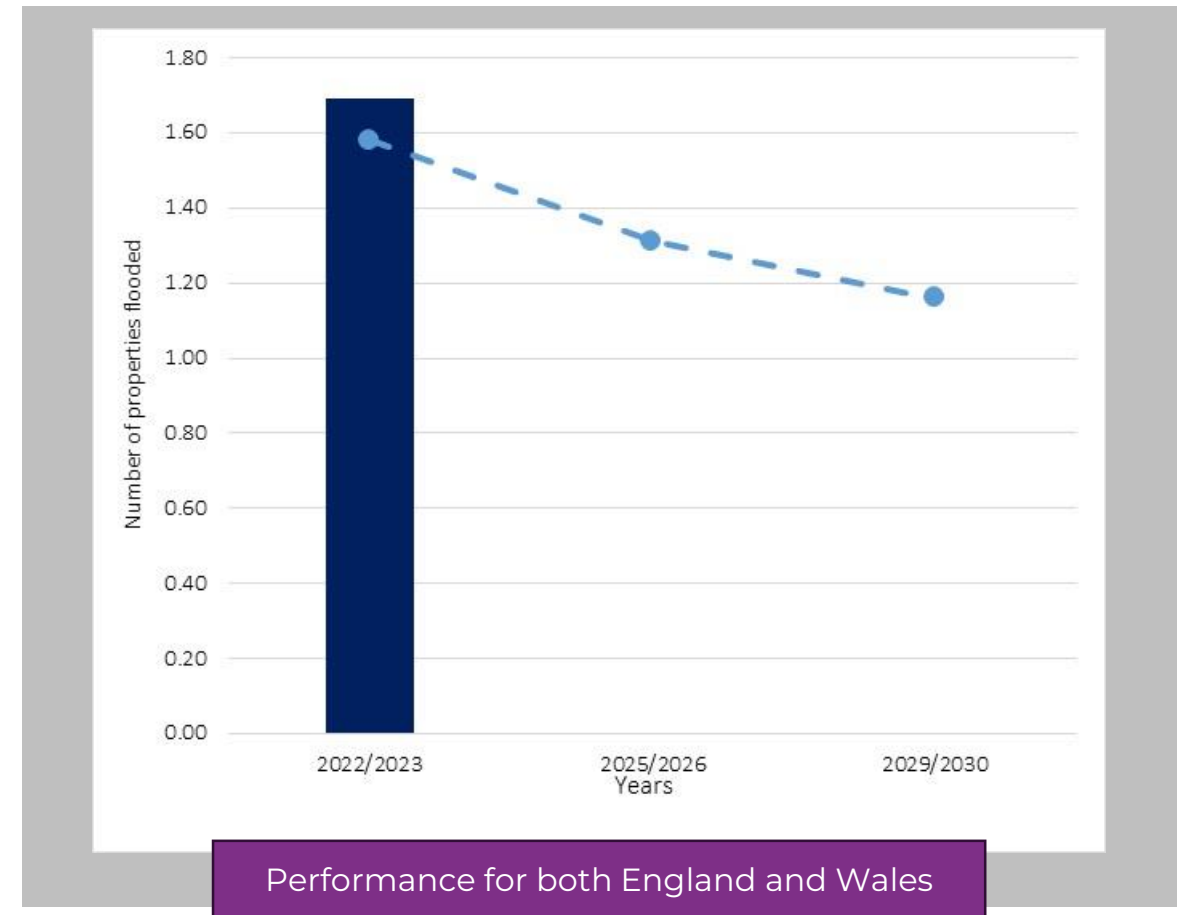
Proposed future performance levels: Sewage flooding inside properties



The voice for water consumers
Llais defnyddwyr dŵr

Waste

- Sewage flooding inside properties (number of properties flooded by sewage for every 10,000 properties connected to the public sewer)



Performance for both England and Wales

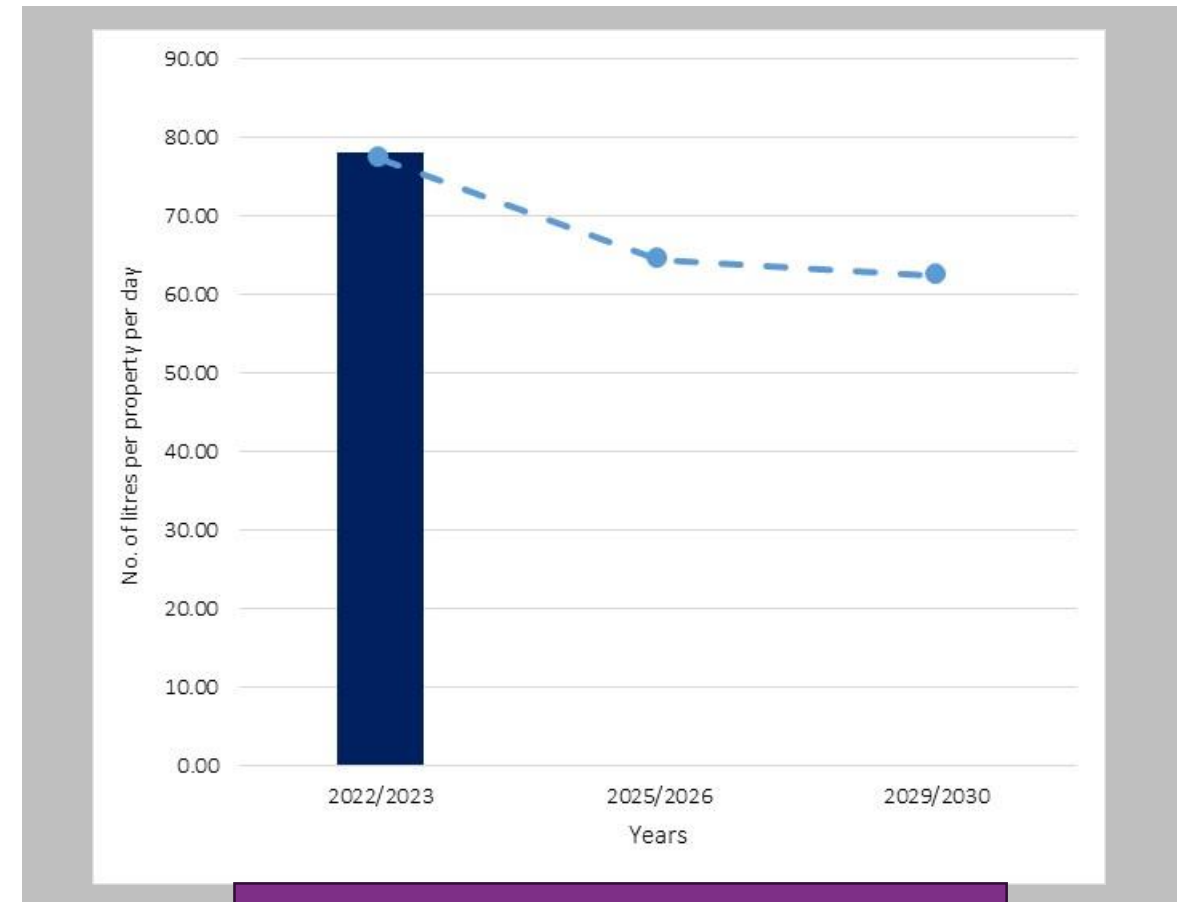
Proposed future performance levels: Leaks



The voice for water consumers
Llais defnyddwyr dŵr

Water

- Leaks (the number of liters of water leaked per property per day)



Performance for both England and Wales

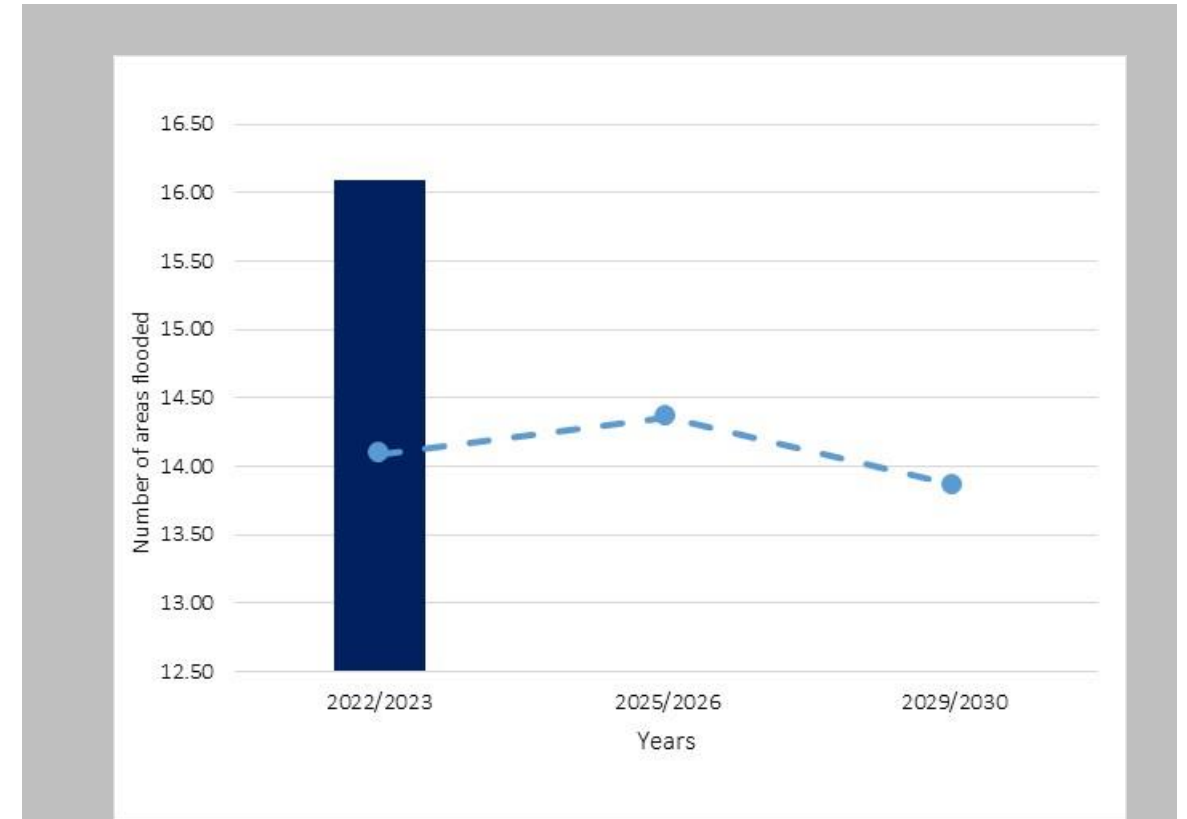
Proposed future performance levels: Sewage flooding outside properties



The voice for water consumers
Llais defnyddwyr dŵr

Waste

- Sewage flooding outside properties (number of external areas flooded by sewage for every 10,000 properties connected to the public sewer)



Performance for both England and Wales

