C1

Engagement, Communication and Research

BRISTOL WATER

Structure of our Business Plan Submission

Appointee plan

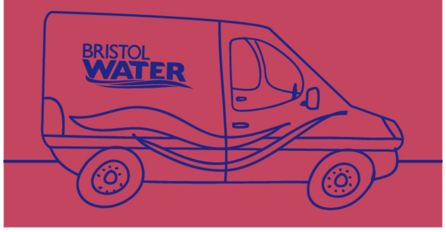
A1
Bristol Water For All

A2
Customer summary

Wholesale controls

B1
Water resources

B2
Water network plus



Retail controls

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Engagement Summary

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About This Document

This document answers the challenge set to us by our regulator Ofwat, to demonstrate the quality of our customer engagement and participation and how we used this to inform our business plan. This document describes how we have developed a strategic approach to our engagement, the principles we adhered to, and an account of over 50 engagement activities we have undertaken across five phases of engagement. We provide 'spotlights' on some of the key issues: our work to support vulnerable customers, and those for who affordability is an issue, an ODI framework that reflects our customers preferences, and evidence on what our customers value.

This document should be read alongside a number of others:

- The appendix to this document provides a detailed account of each activity we carried out and how it is reflected in our customer promises.
- **C3 - Delivering Outcomes for Customers** describes how our customer engagement has directly informed the development of our outcomes framework.
- **C2 - Addressing Affordability and Vulnerability** demonstrates how we have used insight about our vulnerable customers to provide affordable bills for all.

IAP Test area		Questions	Evidence provided in this document
Engaging customers	EC 1	What is the quality of the company's customer engagement and participation and how well is it incorporated into the company's business plan and ongoing business operations?	In this document and its appendix, we set out how the views of our customers and our stakeholders have been central to the development of our plans, as well as shaping day-to-day activities and improvements to services. In particular, we describe the five stages of our engagement framework, together with the innovative approaches we have used to achieve true customer participation in the development of our plan. We provide an overview of how our engagement has been incorporated into our business plan and our day to day activities, with further evidence provided within each of the other sections of our plan. The appendix to this document provides details on each of our engagement activities and how they informed our plans. Further evidence is provided in all business plan sections, reflecting the flow of participation throughout.

Contents

1. Executive summary

During the development of our business plan we have engaged with over 37,000 customers and conducted over 50 pieces of research. By delivering customer engagement, from within our customer service directorate, we have ensured that we can build on the customer insights we gain every day so our business plan is equally a product of our day to day insight as it is influenced by our engagement events.

We have used innovative approaches to explore customer perceptions and behaviour and to bring the customer's voice into our planning in a participative way. We have tailored our methods to reflect the diversity of people we serve. Key innovations include:

- Bespoke segmentation to understand our unique customer base
- New ways of obtaining valuation data; such as through an online game and revealed preference study
- Triangulation of our diverse evidence base
- Co-creating elements of our plan with our Customer Forum group
- Engaging with future customers through our Youth Board
- Exploring the different approaches to financing with gamification

Through the programme, we have talked to thousands of customers and made real changes to our business as usual work, whilst also developing a business plan that reflects the priorities of our customers and the services they value. We are proud of our customer engagement work and believe it represents a real step change in how we, as a water company, relate to the communities we serve.

We have published consultations on our Drought Plan, our Water Resources Management Plan, our long-term ambition and our draft business plan. In response to a challenge from the Bristol Water Challenge Panel, we targeted a more ambitious approach to gathering insight from these consultations; 4,354 of customers collectively responded to our consultations.

The insight we gained from our customers has led to the following conclusions regarding our customer's priorities. Each of the conclusions has been endorsed by the majority of customers we spoke to during our draft business plan consultation:

- They need a bill that they can afford
- They value improvements in the quality and reliability of their water
- The role of their Water Company extends to making a positive contribution locally
- We should save water before developing new supplies
- They expect the best possible experience when they interact with us

Our acceptability research concluded that 93% of customers found our suggested plan acceptable.

To ensure that our customer views were at the centre of our business planning process we provided a clear governance process. This governance process allowed us to monitor need, quality and use of the customer engagement framework, both with the users of the research and the Bristol Water Challenge Panel (BWCP). We had the most challenge from our colleagues and the BWCP on the innovative ideas such as triangulation, our willingness to pay research as it used the 'Max Diff' methodology, finance research and engaging with those customers that are the hardest to reach.

This document provides a description of our customer engagement, the key findings and the resulting actions that have supported our business plan for 2020-2025.

2. Introduction

We have taken a phased approach to engagement; we have taken stock of our existing understanding, gathered evidence on our customers' views and opinions and then tested our proposed options with customers. We further consulted on our plans and then refined our final proposal based on our customers' feedback. Throughout these stages, we have sought to ensure that our engagement activities are customer centred, transparent, accessible, relevant and sustainable.

During the first phase of our engagement, October 2016 and March 2017, (Taking Stock), we sought to review our existing knowledge of customer views. This initial phase enabled us to understand current perceptions and develop a more nuanced understanding of our customers' views and identify gaps in our knowledge.

We identified six customer segments in order to help us understand the different customer groups and how their views differ – this enabled us to target our engagement efforts. We also gathered all of our incoming customer information in our Customer Dashboard and conducted a review of previous research to improve our understanding, recognise gaps in our knowledge and identify changes and trends in customer views over time. The results of this exercise showed us that our customers consistently prioritised having an affordable bill, a reliable supply of water, and having water that tastes good, looks good and has no smell.

We have regularly involved our online customer panel of 2,000 customers and we started by speaking to them, along with groups of people from different backgrounds, to refresh our understanding of customer priorities and to gain a more nuanced insight. We found that a reliable and high-quality water supply at an affordable price is a top priority for our customers, but that customers' views varied depending on their experiences. We also saw that they described service as a priority; this was either because our customers would like it to improve or because it is an essential service that customers are currently happy with.

Phase 2 (gathering evidence), this second phase of engagement ran from March 2017 to February 2018. We used this phase to build a robust evidence base using qualitative, quantitative and valuation evidence and we spent time talking to our customers and involving them in our planning using a range of methodologies for engagement. During this period we used deliberative events, online surveys, consultations and the creation of the customer forum to talk to our customers. We also used new and innovative approaches to engagement such as staff roadshows and a 'top trumps' game. The purpose of this work was to explore short and long-term trade-offs in decision making. We asked customers to tell us how we should approach long term issues of resilience, how we could best respond to service interruptions, particularly for our most vulnerable customers. We also sought to hear how our customers wanted us to use incentive mechanisms to reflect our performance in their bill.

These, and other, wide-ranging methodologies have helped us to engage customers as part of an on-going process and ensure a two-way dialogue on both short and long-term issues. We have been able to provide customers with comparative information and involve them in service delivery. This engagement means that we understand the needs and requirements of different groups of customers and we can demonstrate our commitment, as members of the Institute of Customer Service (ICS), to understanding and responding to the needs and requirements of customers. We have developed tailored engagement methods for our developers and retailers to ensure that their voices are heard alongside our stakeholders in the wider Bristol area.

In March and April 2018 we entered phase 3 (testing options) in which we decided to test a wider array of options. This early phase allowed our customers more ability to influence our plans. Our customer forum met to review our business plan options and provided us with advice on how our draft business plan, and underlying performance commitments, could be presented clearly to the public. Our customer forum also challenged us on why commitments had not been included for areas such as renewable energy.

We conducted research on affordability, which showed that as bills increase our customers' appetite for investment decreases. We also learnt that this shift in appetite is not even. Customers tend to value reliability over local resilience and customer experience. We also found that customer choice tends to be driven by their personal financial circumstances.

In phase 4 (consulting on our plans) we spoke to customers about our draft plans, including draft versions of the Water Resource Management Plan (WRMP) and the business plan. During a concentrated period of engagement, we met with over 4,000 customers in just over a month and we presented them with three possible plans. The three plans represented slower, suggested and faster paths to the same long-term ambitions. We also reconvened groups of customers with whom we had tested our options in phase 3 and asked them to participate in a day of discussion and deliberation around the refined options for our business plan.

We found that customers were generally supportive of our ambitions but gave us feedback on how to make those ambitions clear to them and what they considered a fair price to pay for improvements to our service. Much of the feedback showed us that customers expect us to deliver good value for money and challenged us to deliver at a lower price.

The last phase of our engagement activity (refining and acceptability) was designed to test the final business plan. We met with a large group of customers to confirm that we had heard and understood their views. The support shown in this final phase gives us confidence that our plan reflects what our customers' value in the short and long term.

Customer research summary

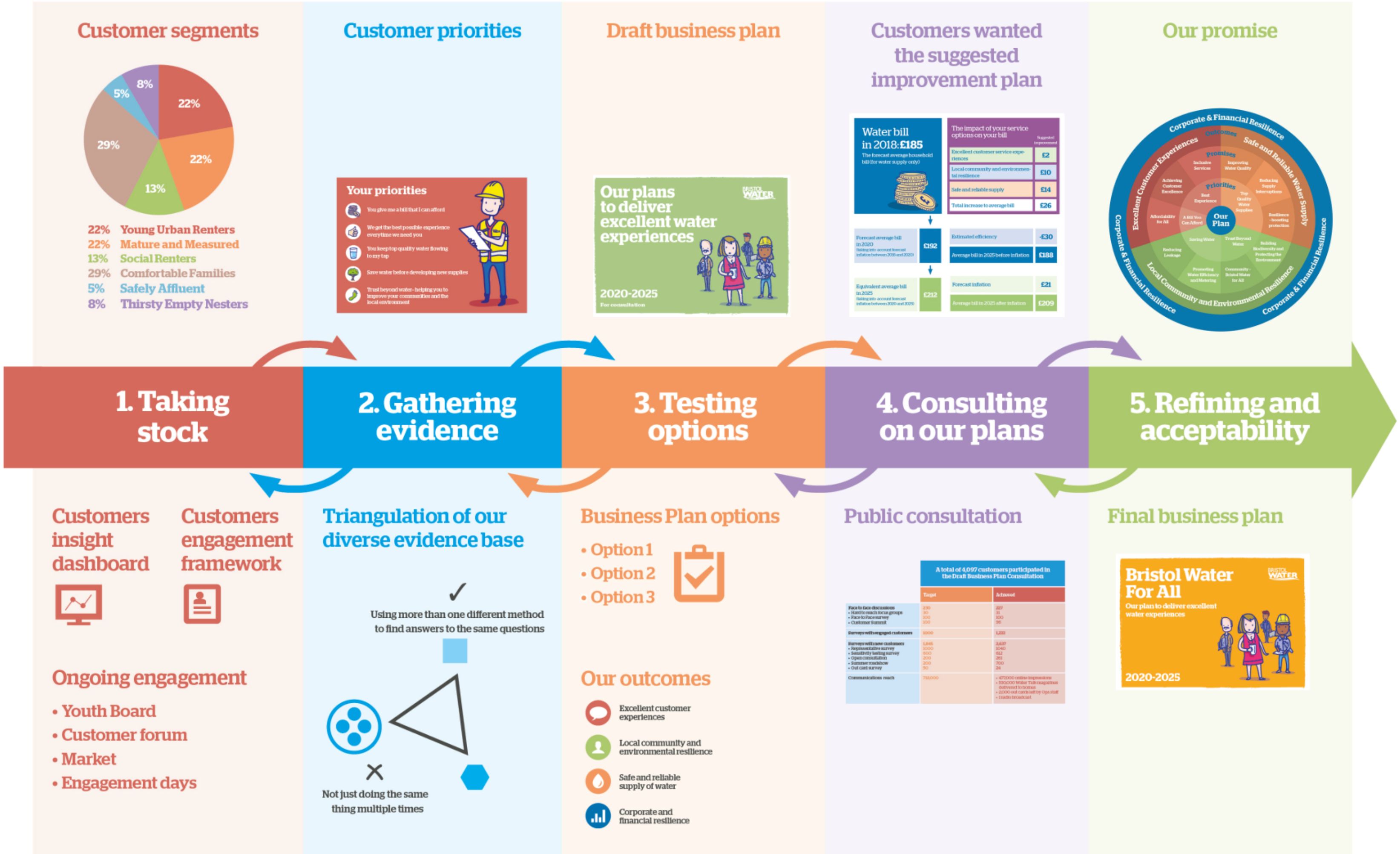

Figure 1 - summary of research

3. How we developed our approach

During the summer of 2016 we reviewed our ongoing customer engagement and considered how it would need to evolve to meet the needs of the business into the price review and beyond. We commissioned two strategic partners to help us develop our customer engagement programme for PR19 and beyond. Traverse (formally Dialogue by Design) are specialists in engagement and consultation. Traverse have been key partners in the process and they have provided strategic direction on our customer research and engagement throughout the development of the business plan. We also commissioned Nera Economic Consulting to review a range of customer valuation techniques and to advise us on the structuring of a programme of work to deliver a robust evidence base of customer valuations in order to inform the PR19 business planning process. Nera's recommendation also included a review of the methods used at PR14 by Bristol Water and the wider industry.

Over the course of six months, we discussed with our Customer Challenge Group the Bristol Water Challenge Panel (BWCP) and strategic partners to explore the possibilities for a new, more innovative, responsive and participatory relationship with our customers. We also held a series of workshops with key internal stakeholders to co-produce the framework. Our objective was to produce a framework, going beyond a document, to ensure a shared sense of purpose and understanding among the wider PR19 team.

Between November 2016 and January 2017 we developed our first Engagement Framework, a living document that articulates why and how we will work with our customers. The BWCP challenged us to demonstrate that our proposals accurately reflected the priorities of our regulators and the needs of our customers. The panel also agreed that the Framework, and our approach, would evolve as we learnt more. Our performance against the Framework has been reviewed quarterly in collaboration with the BWCP and we provided a revised Framework in May 2017. The Framework was updated as a result of challenges from the BWCP, findings from our customer insight, the Ofwat methodology and in some cases business need. For details on what was added to the Framework and the reason why, see Table 1. Many of the items we identified, including deliberative events on our WRMP and our long-term strategy reflected an increasing focus on planning beyond the five year price review. We also identified a need to specifically target engagement at our future customers, recognising the impact of decisions now, leading to the setup of our Youth Board.

As we developed our business plan we also identified the need to engage in more depth on how we finance our business plan. The need to engage on finance led to work on company-specific adjustments, small company premium and company financing. We went beyond just asking customers what they wanted to pay, we asked our customers their thoughts on how we should finance the services they value in the long-term. Our customer challenge panel asked us to think about how we could engage customers in issues beyond their personal experience of our service, which we did through our deliberative events on our WRMP[1]. We also expanded our work to engage customers in the plan, we moved away from simple acceptability testing and built in more participative approaches

[1] B23: WRMP demand reduction deliberative events

such as asking our customers to help us deal with the challenges and trade-offs inherent in long-term planning[2].

Overall the Framework has been a vital tool in ensuring that all our customer engagement reflects best practice and has a real influence on our business. The way in which the business has evolved to see customer engagement as a key driver of decision making is reflected in the evolution of our Framework and represents a real step change towards a more participative relationship with customers.

New items	Reason added
Affordability assessment	Due to previous customer research findings and the Ofwat methodology
Special cost factor/small company premium research	Ofwat methodology
Youth Board	Ofwat methodology and due to previous customer research findings
Testing business plan options • **Deliberative event** • **Focus groups**	Business driven
Long term strategy engagement	Ofwat methodology
Company financing and bill impact research	Business driven
Acceptability testing part 1	BWCP challenge due to previous customer research findings

Table 1 Research and the drivers for the revised Customer Engagement Framework May 2017

4. Our engagement principles

In their customer engagement policy statement and expectations for PR19, our regulator Ofwat identified seven principles of good customer engagement which had been used at PR14 and remained fit for purpose. They also identified an additional eight principles which built on and refined the initial seven. Ofwat also published two reports (Tapped In, and Unlocking the Value of Customer Data) which provided helpful suggestions about how relationships with customers could change. In developing our Engagement Framework we, not only, assessed each activity against these principles; we also tested our own understanding of best practice. The development of the Engagement Framework helped us ensure that we were delivering consistently high-quality engagement, across a wide range of customer activities, in a way that met our regulator’s expectations. We have referred to the 13 Ofwat principles directly in this report to clearly demonstrate how they influenced our work.

Our work was also informed by our own commitments to best practice which influenced how we worked with customers. We believe that all engagement should be:

[2] B11: Deliberative resilience research, B19: Company financing and bill impacts deliberative event

- **Customer centric**: designed with the experience for the customer at the centre (i.e. not just research objectives), ensuring the interaction and handling of subject matter is fun and engaging for all.
- **Transparent**: clear communication about why customers are being engaged, who by, and how their views will be used.
- **Accessible** and inclusive: materials are clear, accurate, and in plain English and barriers to involvement are reviewed and addressed.
- **Relevant**: owned by the part of the business who will use the results
- **Sustainable**: where possible engagement is incorporated into business-as-usual activities. With one-off events taking a learning and up-skilling approach to ensure our team's ability to effectively engage with customers is continually improving and evolving.

5. What we did

In line with our Framework and principles, we took a phased and iterative approach to engagement. Our engagement with our customers evolved through four phases which can be seen in Figure 2

Figure 2 Phases of engagement

After each phase, we reviewed the outputs we had collected and analysed what they told us about our customers' views. From this analysis, we then made the following decisions for the next phase:

- Priority content areas (i.e. better understanding customer attitudes towards metering)
- Engagement objectives (i.e. supporting understanding, research / soliciting views, building interest)
- Appropriate engagement methodology to achieve objectives (i.e. online, workshops, roadshows, surveys etc.)
- Appropriate research methodology where appropriate (i.e. valuation / quantitative, qualitative)
- Specific customer groups to engage with (i.e. rural customers, vulnerable groups)
- Timeline to ensure results were available to inform key milestones in business planning process.

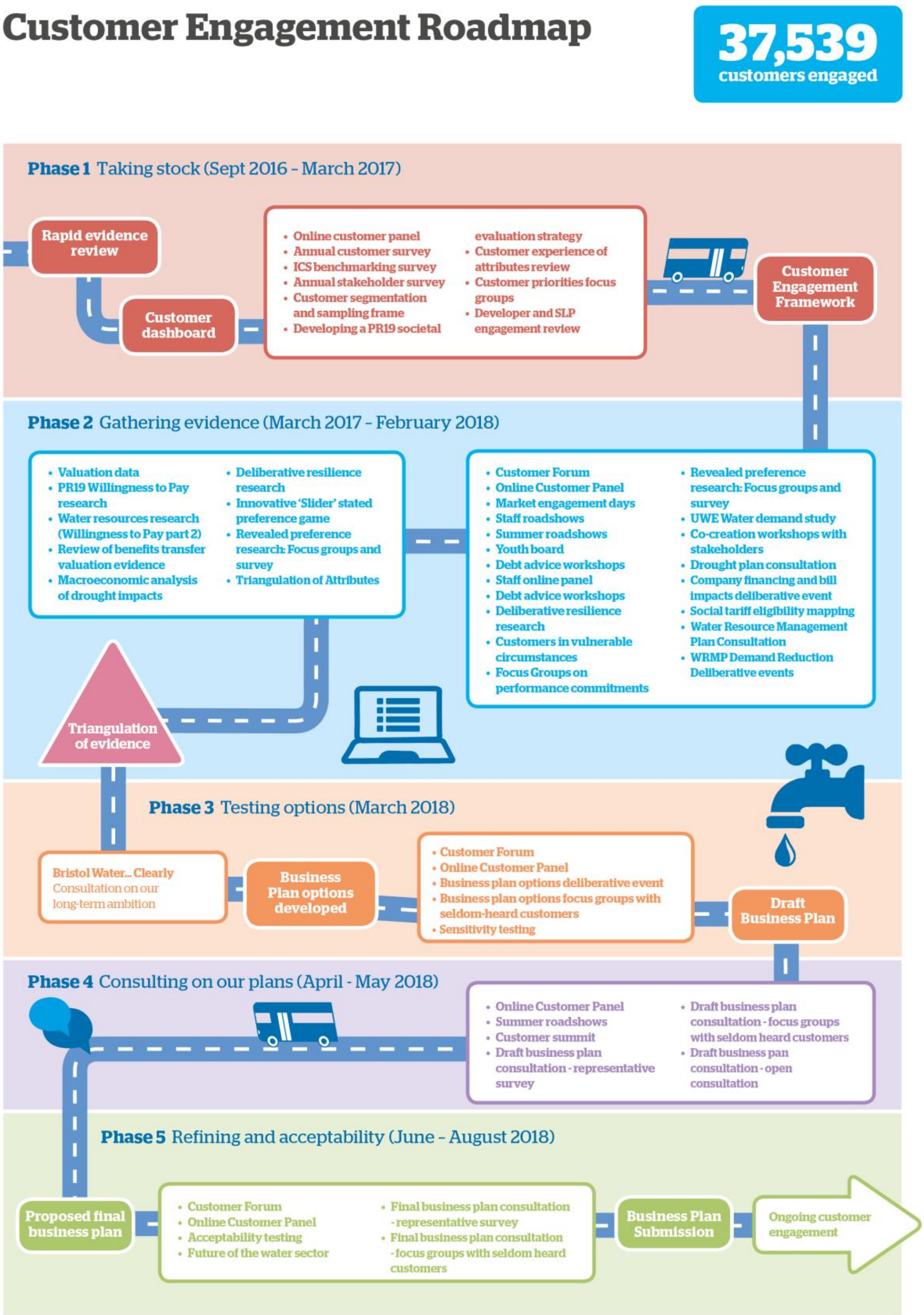

Figure 3: Our customer engagement roadmap

6. Phase 1: Taking stock 2016 – March 2017

6.1. What we aimed to achieve

At the beginning of the PR19 process, we wanted to review what we knew already about our customers and their views and opinions on their water supply. We wanted to develop a more nuanced understanding of our customers and we wanted to identify the gaps in our understanding of their views. Our activities in phase 1 reflect Ofwat's first principle of good engagement "Water companies should deliver outcomes that customers and society value". The activities we undertook ensured that our engagement programme was informed from the start by our customer's priorities for their water supply and the type of service they want to receive.

6.2. What we did

We approached this in the following ways:

- Conducted a **customer segmentation**[3] to help us better understand who our customers are and what characterises their usage;
- Developed a new way to compile and review our day-to-day customer data, we call it the **Customer Dashboard**[4]**;**
- Conducted a **literature review**[5] of engagement outcomes to date (including PR14 valuation and qualitative research, annual surveys); and
- Refreshed our understanding of our customers' priorities with **focus groups**[6] **and an online survey**[7], and tested how they might differ for customers who had experienced interruptions, and those for whom affordability is an urgent concern.

[3] B1: Customer segmentation and sampling frame
[4] A1: Customer dashboard
[5] B2: Rapid evidence review
[6] B5: Customer priorities focus groups
[7] A4c: Online Customer Panel December 2016

Customer Segmentation

Bristol Water serves 1.2 million people over an area of almost 2,400 square kilometres - from Tetbury in the north to Street in the south, and from Weston-Super-Mare in the west to Frome in the east. To help us understand our customers in more detail, we combined our customer data with other relevant data to form six customer segments. We used these segments to help us understand where different customers might have different views, and to help us target our engagement, research, and communications.

Young Urban Renters (22% of customers). Young Urban Renters are generally younger, less affluent people renting in flats or terraced houses. While they are less likely, than average, to try to cut down their water usage they have the lowest water charges out of all the segments. They are also more likely to have water meters. They have less disposable income than the standard customer and this reflects in the high proportion that are just managing to make ends meet or are running into debt.

Mature and Measured (22% of customers). Mature and Measured are older couples of above average affluence and they own their homes. Their lower than average household incomes are due to a large proportion of this segment being retired. All of these people make an effort to cut down water usage and this can be seen in their low water charges. The ratio of measured to unmeasured customers is much higher than average for this segment.

Social Renters (13% of customers). Social Renters display the lowest affluence of all the segments and they have especially low discretionary incomes. They have a low level of employment and nearly all of them are struggling financially, despite their water charges being only slightly lower than average. They are more than doubly likely to pay via installations than average. Most live in one or two person homes that they are socially renting.

Comfortable families (29% of customers). This group of customers are middle aged, with an average age of 46. Most have children at home – with three of more people living in the property. This segment is fairly affluent, with an average income of £51k, but with discretionary incomes that are only slightly higher than average due to larger families. This is reflected in the fact that just over half do not hold any savings despite their high incomes. They have larger than average water bills which correlate with their household size and the percentage that have children at home.

Safely Affluent (5% of customers) Safely Affluent are generally couples, or families, that are at the peaks of their careers and have the highest affluence of all the segments with extremely high disposable incomes. They have substantial water charges, which remain large despite nearly all of them trying to cut down their water usage. They own their homes with 91% of these homes being detached or semi-detached houses.

Thirsty Empty Nesters (8% of customers). Thirsty Empty Nesters have the highest water charges of all the segments. They are older than average with adult children that have left the family home. They own their homes which are generally houses but this segment also includes farmers. They have average incomes but over half are having financial issues. The overwhelming majority are using unmeasured and are paying for their water via direct debit.

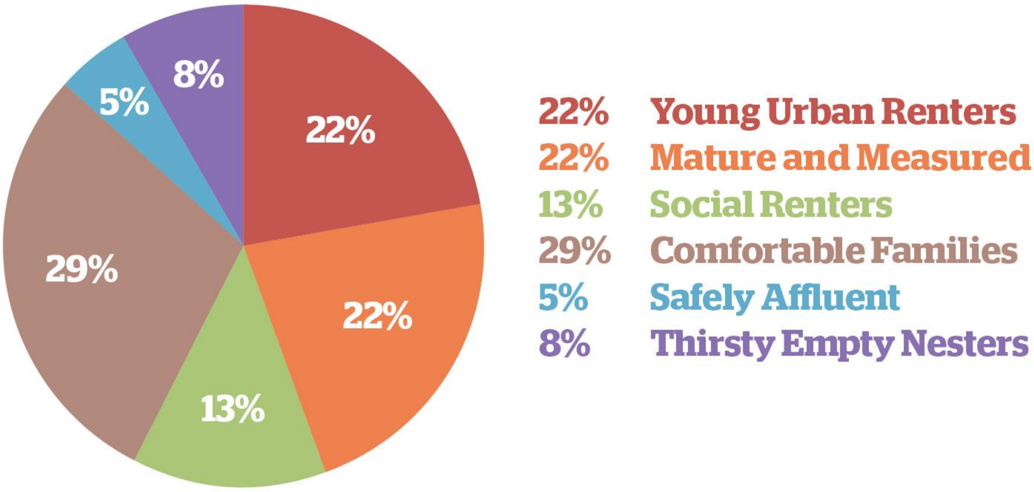

Figure 4 Customer segmentation overview

Customer dashboard

We gathered and collated all of our ongoing data in one easy and accessible source to help us analyse and recognise patterns and data trends from as early as 2014. This essentially means that we are able to understand our customer priorities, complaints and feedback from this one accessible and user friendly source we call our customer dashboard[8]. The dashboard tool combines all sources of our ongoing customer insight including:

- SIM surveys;
- Monthly tracker;
- Annual perception survey;
- Online panel questionnaires;
- Complaints data;
- Inbound calls;
- Unwanted calls;
- Real-time feedback;
- CCWater Matters Report;
- Social tariff take up;
- Annual DWI report on drinking water; and
- Institute of customer service business benchmarking.

The dashboard gives us an overview of all the different messages we are hearing from our customers. This reflects our commitment to principle 3 of Ofwat's over-arching principles of customer engagement "engagement should not take place simply at price reviews".

Service Attribute	Priority (%age of customers rating it very important or quite important)		Customer perception of performance (annual survey) average: 86%	Average satisfaction score from replica survey average: 84.6	SIM dissatisfied (% in 2017/18) n/a	Complaints (% in 2017/18) average: 7%	Inbound calls (% in 2017/18) average: 7%	Overall RAG
Quality	*Provides water that tastes good and has no smell/provide water that looks good*	99.0%	95.0%	88.6%	2.0%	8.0%	9.4%	
Pressure	*Ensured adequate water pressure*	99.0%	94.0%	69.3%	17.0%	5.8%	6.8%	
Reliability	*Provides a regular water supply*	100.0%	99.0%	84.9%	15.0%	2.7%	12.9%	
Leakage	*Repairs leaks as quickly as possible*	100.0%	73.0%	83.7%	19.00%	8.4%	21.1%	
Metering	*Increases number of customers on meters*	76.0%	64.0%	86.6%	2.0%	8.4%	3.3%	
Affordability	*Affordable bills*	99.0%	83.0%					
Road disruption	*Reduces traffic distruption*	99.0%	65.0%			3.2%	0.01%	
Environment	*Helps protect the environment*	98.0%	73.0%					
Lead	n/a			91.9%		0.4%	0.03%	
Service	*Resolves enquires promptly*	99.0%	70.0%	82.80%	13.00%	17.40%	4.40%	

Figure 5 Summary of customer dashboard 2017/18

Through our dashboard we are able to create an overview of our customers' opinions on key service areas (*see* Figure 5) and how they perceive our performance in these areas. We used the priority level from our annual surveys (n=1000) and our performance across multiple lines of evidence to provide a high level indication of areas where the customer experience needs to be improved.

[8] A1: Customer dashboard

Spotlight on: Using the dashboard to inform day to day operational decisions

The time it takes our staff to respond to our customers' written complaints is an essential part of improving the overall customer experience. Lower customer satisfaction around this area has been highlighted to us through our customer dashboard, where annual survey results have shown that resolving enquires promptly is consistently a top priority for customers. Through analysing data from previous years we also recognised that the volume of customer repeat calls has risen and our customer effort score from the ICS business benchmarking is high[9].

In response to this, we are carrying out a pilot to see how we can respond to written complaints quicker than the current 5 working days Service Level Agreement (SLA). We started the pilot by setting a target for all written complaints to be responded within to 2 working days, this showed us that this was achievable for some complaints and less so for others that required certain actions, such as pressure loggers fitted. This pilot is allowing us to monitor and challenge ourselves daily on how we can speed up our response times. This is a critical part of our daily morning huddle where all customer complaints are reviewed and resolutions discussed.

Literature review of research to date

We conducted a literature review of the evidence we collected to date with four main objectives[10]:

- To review our current understanding of customer priorities and perceptions
- To identify gaps and areas for improvement when planning future engagement
- To consider the inclusion of past research in our overall triangulation of evidence
- To enable us to identify changes and trends in customer opinions over time

We shared the review with our challenge panel and our PR19 team to help us identify the gaps we needed to address in phase 2.

Refresh of customer priorities

We learned from our customer dashboard, and our literature review of past engagement, that our customers consistently prioritised having an affordable bill, a reliable supply of water, and having water that tastes good, looks good and has no smell. Other areas of importance included leakage and pressure.

We wanted to test these findings to see if they still resonated with customers. We refreshed our online customer panel of 2,000 customers, and asked them about their priorities through an online survey[11]. In addition, we held three focus groups to gain a more nuanced understanding of motivations behind customer views. In doing this, we specifically talked to customers who had recently experienced

[9] A6: ICS Benchmarking survey
[10] B2: Rapid evidence review
[11] A4a: Online customer panel April 2016

disruption, and also customers from lower socio-economic backgrounds to learn more about how their experiences affected their opinions about the service they receive from us[12].

More activities in phase 1

We supported these main activities with a range of other ongoing activities:

		Type of activity							Type of data			Incidence	
Phase 1 - Taking stock	Reference number	Focus groups/depth interviews	Desk study	Deliberative research	Collaboration/Co-creation workshops	Reconvened discussion forum	Community engagement	Quant/Qual survey	Qualitative	Quantitative	Valuation	BAU - ongoing/regular engagement	One-off
Customer dashboard	A1		X							X		X	
Annual customer survey	A5							X	X	X		X	
ICS benchmarking survey	A6							X	X	X		X	
Annual stakeholder survey	A8	X						X	X	X		X	
Customer segmentation and sampling frame	B1		X									X	
Rapid evidence review	B2		X										X
Developing a PR19 societal evaluation strategy	B3		X										X
Customer experience of attributes review	B4		X						X	X		X	
Customer priorities focus group	B5	X							X				X
Developer and SLP engagement review	B10		X						X			X	

Table 2: Activities during phase 1

12 B5: Customer priorities focus groups

6.3. What we found out

The evidence in the customer dashboard showed us that **high-quality water** remains a top priority for customers: 99% of customers in our annual surveys say that water quality is quite important or very important to them. This was reiterated by 98% of our customer online panel who said the same. In all three focus groups, customers chose water quality as one of their top three priorities. In addition, water quality complaints are the third highest reason for customer complaints. Due to this, and to regulatory requirements around water quality, it will always remain a cornerstone of our service. Given the high level of importance our customers place on water quality, we decided to refresh our water quality valuation data to ensure we had an up-to-date understanding of what customers were willing to pay for high water quality (see Spotlight on: Valuation data and Spotlight on: Triangulation). However, as we felt confident that we understood our customers' views on the topic, we focused our in-depth engagement and conversations with customers on other areas of our service.

One of these areas of focus was **leakage**. When we reviewed what we knew about customers' views on leakage, we found that it was very important to them. 98% of customers in our annual surveys[13], and on our online customer panel, said it is quite important or very important to them. It is one of the most common reasons for inbound calls with 21.3% of calls we receive regarding leakage. It also represents a high number of the complaints that we receive (9.5%). However, the customers who joined our focus groups surprisingly did not focus on leakage, and they had mixed views on metering - which is one method of identifying leaks. As such, and in order to better understand customer perspectives, we decided to continue our conversations with customers on leakage, and included the topic in a number of our qualitative engagement activities, including our events on resilience and demand reduction[14][15].

Evidence from PR14, ongoing customer data, our customer panel and our customer focus groups[16] showed us that **reliability of their water supply** is an ongoing priority for customers, with 99% of customers saying that it is quite important or important to them. In our focus groups and when we spoke to customers who had experienced disruption, we found that these customers were more anxious for us to take steps to avoid disruptions, whereas other customers saw them more as an inconvenience and something that they would expect us to respond to quickly and efficiently. Reliability is an area in which customers feel that we do perform well. We receive a relatively high number of calls about reliability issues (13.1%); however we receive few complaints in this area (2.7%). As with water quality, we started to understand that different aspects of our service might be described as a priority by customers because they are a crucial part of our service that our customers are currently happy with, rather than a particular area where customers would like to specific changes or improvement. We wanted to be able to better understand the impact on customers when disruptions happen. To bolster our understanding, we took the opportunity to talk to customers when they experienced disruption and we conducted 'revealed preference research'[17] to help us understand the financial impacts as well.

Another insight from our conversations about reliability was that customers have different views based on their experiences and circumstances. This is also true for our customer views on **affordability**.

[13] Average percentage from 2014-2018 annual surveys (A5: Annual customer survey)
[14] B23: WRMP demand reduction deliberative events
[15] B11: Deliberative Resilience Research
[16] B4: Customer experience of attributes review
[17] B15: Revealed preference research: Focus groups and survey

98.3% of customers who took part in our annual survey said that affordable bills were important or quite important to them, however only 61.7% thought that we did a good job at this. Affordable bills were particular important to customers in lower socio-economic groups, and these customers also support our social tariffs and efforts to support customers struggling to pay. To understand these views further we committed to conducting more in-depth research into customers in vulnerable circumstances for phase 2. We wanted to understand the views of customers who receive support, eligible customers who don't receive support and key stakeholders as well as perceptions of Bristol Water staff who work closely with these customers. Further to this, we planned to utilise our regular debt-advice workshops to understand how we can better support customers who are struggling to pay and/or in circumstantial vulnerability to struggle with accessing our services. Through this initial "taking stock" phase, we identified those areas where we had less information about how customers feel, or those areas where customers had mixed opinions.

We also considered the Ofwat guidelines and our business priorities and decided to discuss the following issues with customers in phase 2:

- Resilience – relating to drought avoidance (i.e. hosepipe bans and long-term water cuts);
- Resilience – relating to water resource options (i.e. increasing supplies, leakage, metering);
- Affordability and working with customers in vulnerable circumstances;
- Demand reduction and water efficiency;
- Customer experience of interruptions; and
- The natural environment.

7. Phase 2: Gathering evidence March 2017 – February 2018

7.1. What we aimed to achieve

Phase 2 was a yearlong period filled with activity. Our aim was to build a robust evidence base for our business plan using everything we identified in phase 1. We knew that we needed a mix of quantitative and valuation evidence, as well as qualitative data to help us understand why our customers' value services the way they do. We continued to work with the BWCP to ensure they were confident in the methodologies we used alongside the quality of our delivery. We also started to work more closely with Bristol Water employees responsible for designing the business plan and we asked them to take responsibility for hearing and acting on the views our customers expressed.

7.2. What we did

During this phase, we spent time talking to our customers and involving them in our planning. We used a range of methodologies for engagement which included talking to customers at our summer roadshows with our award-winning Water Bar, inviting customers to workshops and focus groups, asking customers to fill in online surveys, interviewing customers, and hosting our own Customer Forum in our offices[18]. Some of the customers we engaged have continued to be involved through to the final business plan and they have helped us check how well our plans have reflected what they told us. This phase of engagement was the longest and widest ranging; this table shows all our activities.

[18] A3: Customer Forum

We ensured that our engagement was guided by Ofwat's additional principles for good engagement as described in Water2020. The principles are:

- Engaging customers as an ongoing process;
- Ensuring two-way and transparent dialogue;
- Setting context through use of comparative information;
- Involving customers in service delivery;
- Engaging on longer-term issues and resilience issues;
- Understand the needs and requirements of different customers;
- Creating a robust, balanced evidence base, drawing on a range of techniques;
- Demonstrating our commitment to understanding and responding to the needs and requirements of customers; and
- Demonstrates innovation in research approach and methodology.

The above principles were considered throughout this phase of research and the following section will take you through how we ensured our Framework embraced them. Whilst our individual research items cover multiple principles, we will show examples of how we have used them in practice.

		Type of activity							Type of data			Incidence	
Phase 2 - Gathering evidence	Reference number	Focus groups/depth interviews	Desk study	Deliberative research	Collaboration/Co-creation workshops	Reconvened discussion forum	Community engagement	Quant/Qual survey	Qualitative	Quantitative	Valuation	BAU - ongoing/regular engagement	One-off
Customer Forum	A3					X			X			X	
Online Customer Panel	A4					X		X	X	X		X	
Market engagement days	A9				X				X			X	
Staff roadshows	A10					X			X			X	
Summer roadshows	A11						X		X	X		X	
Youth board	A12			X	X			X	X	X		X	
Debt advice workshops	A14				X				X			X	
Staff online panel	A13							X	X	X		X	
Retailer engagement	A15	X			X			X				X	
PR19 Willingness to Pay research	B6							X			X		X
Water resources research (Willingness to Pay part 2)	B7							X			X		X
Review of benefits transfer valuation evidence	B8		X								X		X
macroeconomic analysis of drought impacts	B9	X						X	X		X		X
Deliberative resilience research	B11			X					X		X		X
Innovative 'Slider' stated preference game	B12						X	X			X		X
Customers in vulnerable circumstances	B13	X							X				X
Focus groups on performance commitments	B14	X							X				X
Revealed preference research: Focus groups and survey	B15	X						X	X		X		X
UWE Water demand study	B16		X				X		X	X		X	
Co-creation workshops with stakeholders	B17				X				X			X	
Drought plan consultation	B18							X	X				X
Company financing bill impacts deliberative event	B19			X					X	X			X
Triangulation of Attributes	B20		X								X		X
Social tariff eligibility mapping	B21		X							X		X	
Water Resource Management Plan Consultation	B22							X	X				X
WRMP Demand Reduction Deliberative events	B23				X				X				X

Table 3 Activities during phase 2

Engaging customers as an ongoing process

Customer engagement is part of an ongoing process and is embedded within day-to-day business activities. Our customer Engagement Framework for PR19 has outlined a range of key engagement methods and these have become part of 'business as usual' - providing critical insight into every day decision making. By the next price review, the intention is that ongoing engagement, and better use of data from customer communication more generally, will provide much of the information and guidance needed for the business plan process.

For example, we carry out online surveys on a quarterly basis covering a wide range of operational business activities (roadworks, insurance, operational response during incidents) and business planning topics[19] (priorities, outcomes and performance commitments). Out of this panel of around 2,000 customers, we also created a Customer Forum of 40 engaged members who we met face-to-face on a quarterly basis[20].

We will also continue to use our summer roadshow events, not only to provide free water and raise awareness of plastic pollution at our Water Bar, but as a key opportunity to engage with customers[21]. In 2017, we engaged with customers at festivals in and around Bristol on their preferences and willingness to pay for service improvements using our innovative slider tool[22]. In 2018 we used the events to ask customers their views on our draft business plan[23].

[19] A4: Online Customer Panel
[20] A3: Customer Forum
[21] A11: Summer roadshows
[22] B12: Innovative "Slider" stated preference game
[23] B30: Draft business plan consultation – overall consultation

Spotlight on: Insight from business as usual

Clevedon

Following a precautionary boil notice at Clevedon, we used the incident as an opportunity to reach out to customers while they were interested and issued a quick survey via social media. Over 100 people completed the snap survey and we received insight on how our response could be improved, particularly around the timing and channels of notifications as well as the clarity of information. We have used this insight to develop our new communication crisis management manual.

Ensuring two-way and transparent dialogue

Our approach to engagement has seen a focus on face-to-face and qualitative feedback from customers. We have held deliberative events on a number of issues including our long-term strategy[24], bill impacts[25], demand reduction[26] and our business plan options[27]. Our team have also been involved throughout the engagement process; they have been present at events to offer expert insight and answer questions from customers, as well as listening to their views. At our company financing and bill impacts deliberative event, our Chief Financial Officer and Head of Finance attended the entire event to present information, as well as answer any questions that customers have throughout the day.

A key element of our approach to engagement has been to provide customers with enough information to understand the issues we are asking them to comment on fully, regardless of their knowledge of the water sector. We often use discovery sessions to do this without relying on presentations from the front. We worked with teams from relevant areas of the business to develop a list of information that was important to the discussion. We presented information to customers using a wide range of media, from written documents to physical objects and had staff present and available for questions. We gave participants a set of quiz questions and asked them to work in pairs to explore the questions using whatever materials they choose. For example, in our deliberative events on leakage and metering we provided customers with a table of leakage monitoring equipment to explore with one of our team. This activity let our customers explore the content at their own pace and in a format that worked for them.

[24] B17a: Water in the future
[25] B19: Company financing and bill impacts deliberative event
[26] B23: Demand reduction WRMP deliberative events
[27] B24: Business plan options event

Spotlight on: Action on behaviour change

Beat the Bill is our innovative initiative to increase customer participation in service choices by putting customers in control of their water usage and their bill by giving them the information they need.

In line with Ofwat's 'Tapped In' report, the initiative aims to increase customer action and encourage behaviour change to improve resilience through reducing water usage and enhancing leakage detection.

Beat the Bill involves installing water meters in communities and educating the customers on water efficiency and the environmental benefits of saving water to encourage a reduction in water usage. We then give customers the information as to whether their meter would have cost them more or less than the rateable value charge over the year following installation. The customers have the option of choosing if they want to opt for the meter or not at any time during the year.

Informed by customer insight

Leakage is consistently ranked in the top five customer priorities and our customers have told us that we need to do more to educate on using less water. Beat the bill address both of these overarching findings as well as increasing customer participation to drive behavioural change.

Two geographical areas have been specifically selected to target specific demographics from our customer segmentation insight. The areas of Lockleaze and Filton have a high proportion of comfortable families and thirsty empty nesters, who are the most likely to benefit from switching to a meter.

Results

To date, 13% of customers in the pilot have chosen to pay a metered bill rather than the rateable value charge. The pilot runs until October 2018, when it concludes we will be able to analyse the data to see the impact on customer behaviour in relation to water usage.

Setting context through use of comparative information

Where possible, throughout our engagement we have presented customers with comparative information at focus groups and deliberative events. In one example we used an online 'slider' tool where customers could select their preferred service level and see how this would affect bills by moving the slider up and down[28]. We have largely drawn on information from Discover Water to provide context at the beginning of engagement sessions and to also raise awareness of the website as a tool for customers to find out more information.

For example, at the focus groups on performance commitments we played a simple 'higher or lower' game where customers guessed how Bristol Water performed relative to other water companies, and in comparison to the industry averages on measures such as the Service Incentive Mechanism (SIM), leakage and average bills[29]. We found that customers were often surprised and interested in the figures presented and our relative performance. However, when we tested the effect in a survey during phase

[28] B12: Innovative "slider" stated preference game
[29] B14: Focus groups on performance

3, we found that customers rarely changed their preferences for different investment options after being shown comparative information[30].

We also conducted a benefits transfer study which involved transferring to the current context any available valuation evidence from comparable studies that were completed in another location, at another time in another context[31]. The purpose of the activity was to present a range of valuation evidence for water service attributes to inform assumptions used for triangulating our range of valuations.

[30] B27: Sensitivity testing
[31] B8: Review of benefits transfer valuation evidence

Spotlight on: Responding to customers – leakage and metering

During this phase we consistently reviewed and revised our Engagement Framework and activities to respond to what customers were telling us. For example, in our deliberative resilience workshops customers had a clear preference towards demand reduction over supply options[32]. As in our other research, they cited leakage as a key concern and told us that they prioritised reducing leakage above all other demand reduction options. Even when customers understood the economic level of leakage and Bristol Water's strong performance on leakage, it remained a top priority closely followed by water efficiency. On the other hand, metering was a divisive issue with some expressing fear that bills would be unfairly high for large families. This was an interesting finding and we wanted to understand if customers struggle to reconcile the impacts on individuals with more generalised impacts, or that they don't fully understand the connection between leakage and metering.

To learn more about this, we held additional deliberative events to further explore customers' views on proposed demand reduction options and how they interrelate and to generate ideas from customers about how to promote water efficiency measures[33].

We also asked customers for preferences on how we should reduce leakage including Active Leakage control, pressure management and fixing leaks more quickly.

Involving customers in service delivery

In their report 'Tapped In: From passive customer to active participant', Ofwat outline four strategic areas of action to increase participation. These areas are:

- Futures (participation to improve current and future sustainability of water);
- Action (behaviour changes, including water efficiency);
- Community (community ownership of aspects of water as a resource); and
- Experience (increasing customer control of water in their home or the customer service experience).

Futures

Our long-term ambition looking ahead to 2050 is outlined in 'Bristol Water… Clearly'. We have used the views of customers, stakeholders and employees to develop this ambition and 'Bristol Water… Clearly' explains how these views translate into our plans for the future.

The process of developing our long-term ambitions was aligned with our customer engagement, participation and research journey. We set out our long-term targets and comparisons of our performance to other companies. We also set out what we had heard from customers and stakeholders earlier in our journey. We discussed both what Bristol Water's role should be in the future, and the key,

[32] B11: Deliberative resilience research
[33] B23: WRMP demand reduction deliberative events

shared, challenges we faced[34]. The summary of our long-term ambition in itself was a key part of the journey; we asked our customer forum representatives and stakeholders who helped us develop our objectives, outcomes and ambition to review our draft thoughts. The main challenge we had was how we were going to summarise our ambition, and the transparency for those we had yet to engage with as to why we believed they should be interested in our plans. This consultation highlighted the need to describe how a high quality environment is a fundamental part of delivering water for the good of society. As a result of this consultation, we changed our "local community resilience" outcome to "local community and environmental resilience".

Action

We held deliberative events to discuss demand management and the proposals contained within our Water Resource Management Plan. During the event our customers had the chance to ask questions and receive expert insight into these issues from one of our representatives[35].

We also gave a Youth Board, made up of 16 and 17 year olds, the chance to pitch their ideas for how to promote behavioural change to encourage water efficiency amongst our future customers[36]. Following feedback on the importance of water efficiency and throughout all of our engagement, we have appointed a new Water Efficiency Manager.

[34] B17a: Water in the future
[35] B23: Demand reduction WRMP deliberative events
[36] A12: Youth Board

Spotlight on: Future customers

We recognise the need to involve the next generation of customers in our decision making as decisions now will affect them as future bill payers. Engaging future customers also provides critical insight into future customer experience expectations from millennials born into a digital world.

University of the West of England (UWE)

In partnership with the University of the West of England, we have been studying water use behaviours at student accommodation on the UWE campus in order to understand future customers water use behaviours and understand any long term implications for water resource planning[37]. We have also used the study to test the impact of water efficiency devices and conservation messaging. Some surprising findings have shown that on average students can shower up to four times a day which would create significant implications for future water demand management in the future if this behavioural change is not mitigated. To unpick this emerging social norm we wanted to speak to like-minded future customers to understand how we can effectively encourage this generation to reduce their water usage.

Youth Board

In 2017, we developed the Bristol Water Youth Board which is a forum for the next generation of customers to deliberate on longer-term company plans[38]. We held our first meeting in the January where we welcomed 19 sixth formers from different schools across our supply area. We spent the day briefing them on what we do as a company and this included ‘speed dating’ with various employees across the business to really immerse them in our world as a water company. The panel were given a challenge to develop new and relevant ways for encouraging future customers to use water more efficiently and elicit behavioural change.

After spending time working on their ideas and pitches, the board were reconvened in March to present their ideas to our Executive team. Ideas ranged from smart technology linked to mobile apps to engaging through social media and memetic marketing campaigns. We have invited these future customers back for a ‘social media take over week’.

We also used the opportunity to understand their preferences for our draft business plan options. Bristol Water staff pitched the three outcomes from our draft business plan consultation to the panellists. They were then given time amongst themselves to discuss each investment area including the specific service areas and were given opportunity to question and challenge Bristol Water staff before evaluating the importance of each outcome as well as the underpinning performance commitments.

As well as gaining rich insight from discussions with the Youth Board we asked the Board members to distribute an online survey with their schools in order to provide a quantitative read on the views of a larger sample of future customers. The short questionnaire was distributed at each meeting and gained 250 responses from schools across the Bristol Water area. The topics covered included future expectations of their Water Company, priorities for future investment, impressions of Bristol Water and awareness of our activities in the local community.

[37] B16: UWE Water demand study
[38] A12: Youth Board

Community

Being part of the communities we serve is a key part of being trusted by customers and our local stakeholders. As a small water company, working in partnership with local organisations means we can better deliver our outcomes. Our close community ties are demonstrated through initiatives such a Refill Bristol and our award winning Water Bar – both of which aim to protect the environment by reducing single-use plastic. In addition, our Jennings programme is a community-led initiative which aims to ensure that nobody in the Bristol Water supply area will have to buy bottled water when they are out and about, instead they will be able to refill from one of the many water fountains in our communities.

Spotlight on: local community and environmental resilience

Bristol Water has been an important part of our local communities for over 170 years and the period leading up to our business plan has been no exception. We have a range of community and environmental projects that are ongoing.

- Promoting water efficiency: We have worked with schemes such as Refill Bristol to create 200 refill points across Bristol where people can access water for free and we have created our pop-up Bristol Water Bar to provide free drinking water at events and festivals across our supply area.
- Empowering community groups: We give £500 to a charity or community group in our supply area each month through our 'Together for Good' community fund, as well as helping to advertise and support projects.
- Environmental education: Spawn to be wild is our award-winning schools project which provides children in primary schools the opportunity to rear young eels in their classroom with a whole programme of curriculum-linked learning activities all based around environmental habitats and eels.
- Debt advice workshops: We hold annual workshops with the debt advice organisations we fund to understand their priorities and how collaborate more effectively to support customers in vulnerable circumstances.

Through the course of our PR19 research process it became clear to us that our local relationships are a key part of why customers feel positive about us as a business, but that knowledge of our work is patchy. We found the same pattern in our research with our most vulnerable customers, those customers who knew about the support we offer were positive about it, but too many people didn't know about it at all. This principle underlies two of our performance commitments: reducing water poverty and our commitment to community resilience. Our research has also highlighted a challenge for us in this area - our most engaged customers, such as our Customer Forum, challenge us to do more on these issues, but when we try to describe our community ambitions generally customers do not recognise what we mean and are more cautious.

Engaging on longer-term issues and resilience issues

We have sought the views of customers, stakeholders and employees through a series of workshops which took place during the development of 'Bristol Water… Clearly'. Bristol Water… Clearly sets out how these views have shaped our long-term ambition. Visioning 'workshops[39] were held with our Water Forum, developers, environmental stakeholders and key stakeholders from the Bristol area to understand:

- How we would like to see the Bristol area grow and develop in the next 30 years;
- What challenges might we face in the Bristol Water supply area over the next 30 years;
- What are the things about the Bristol area were proud of and want to stay the same; and
- What should the role of Bristol Water be in the Bristol area.

We used the insight to develop 'Bristol Water…Clearly', our long term strategy, and then reconvened a combined workshop with all of our stakeholder groups including the Water Forum to test our ideas and talk openly about how we can meet a range of different priorities identified by different stakeholders.

We have also held deliberative events examining customer views on resilience, including a 'top trumps' budgeting exercise to explore customer views on the trade-offs between short and long-term water resource options[40]. We conducted a mini-valuation exercise on voting key pads at the start of the day and at the end of the day to understand how customer's views and preferences on long tern resilience options differed as a result of becoming more informed about the complex choices water companies face between alternative means of maintaining the supply-demand balance. Following discussions at the events, we found that customers' overall willingness to pay did not change significantly during the course of the event. The analysis also suggested that customers were willing to pay more to reduce leakage and less to improve the environment.

We also identified a need to engage with customers on how bills change over time. We did this by inviting customers to attend a full day deliberative workshop on company financing and bill impacts[41]. It was important that we were able to help customers understand how key decisions about the way in which Bristol Water's finances could have a big influence on bills. We worked with our finance team to develop a financing game that asked customers to make choices about how much to borrow and over what term, and modelling the impacts of those choices in the next round of the game. This approach, coupled with the use of carefully developed stimulus materials, allowed us to have meaningful conversations with customers about a highly technical topic.

Our resilience cost study focused on long-term resilience issues by valuing the avoidance of severe water usage restrictions to inform our Water Resources Management Plan. The study was conducted by asking businesses to estimate the amount of economic output that would be lost following a severe water use restriction to find out the economic loss due to drought for the Bristol Water supply area[42].

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[39] B17: Co-creation workshops with stakeholders
[40] B11: Deliberative resilience research
[41] B19: Company financing and bill impacts deliberative event
[42] B9: Macroeconomic analysis of drought impacts

Experience

As well as involving customers more actively in setting our long-term strategy, we have also involved customers in solutions for tackling water efficiency and increased their control of the water services they receive. This journey is still in its early days but we have made some big steps forward.

In the summer of 2017 we asked 111 customers to spend a whole Saturday with us thinking about how we could manage our water resources to ensure a sustainable supply into the future[43]. We took a deliberative approach, and we were as open as possible in how we invited customers to pose their own solutions. The principle of reducing demand before increasing supply was a key message from these workshops and this underpins our water resource plan and some of our PR19 targets. The discussions also inspired our team to consider how we could support customers to reduce their water usage, based on the dozens of suggestions customers made during the workshops. As a direct result of this, we have recently recruited a new water efficiency manager. The water efficiency manager has a remit to work with employees across the business to put their ideas into action, as well as working on resilience and water efficiency internationally.

[43] B11: Exploring resilience – deliberative workshops

Spotlight on: participation

Early in 2017 Ofwat published 'Tapped In', a report that challenged water companies to "move from seeing customers as recipients of services, to seeing them as active participants in the delivery of those services". This challenge was similar to questions we had asked ourselves in designing our Engagement Framework about how our customers want to be engaged, and how we could move customers towards more productive relationships with us. We created our own version of the continuum of customer engagement, which reflects more clearly that most of our customers are not actively engaged with us yet. We used this participation pyramid to help us think about whether we provide a range of opportunities for customers to get involved at each phase of developing our business plan.

Our Customer Forum was an innovation that came directly from this challenge[44]. We already had an established online panel with around 2,000 customers regularly responding to surveys but wanted to go further. We invited members of the panel to join a Customer Forum – a group of around 40 customers who met face to face 5 times at key points in the process. We asked them to help us think about our long-term strategy[45], including taking part in a workshop with our regional stakeholders[46], to feedback on complex topics like company specific adjustments and cost adjustment claims[47]. We also asked the Customer Forum to look in detail at our business plan options[48] before we took a draft plan out to a wider audience which was convened at the customer summit[49]. Lastly, we invited the Customer Forum to a final meeting in July 2018, the purpose of which was to understand their acceptability of the plan, whether we had captured their views along the journey of co-creation and to invite them to contribute to our video submission to Ofwat[50].

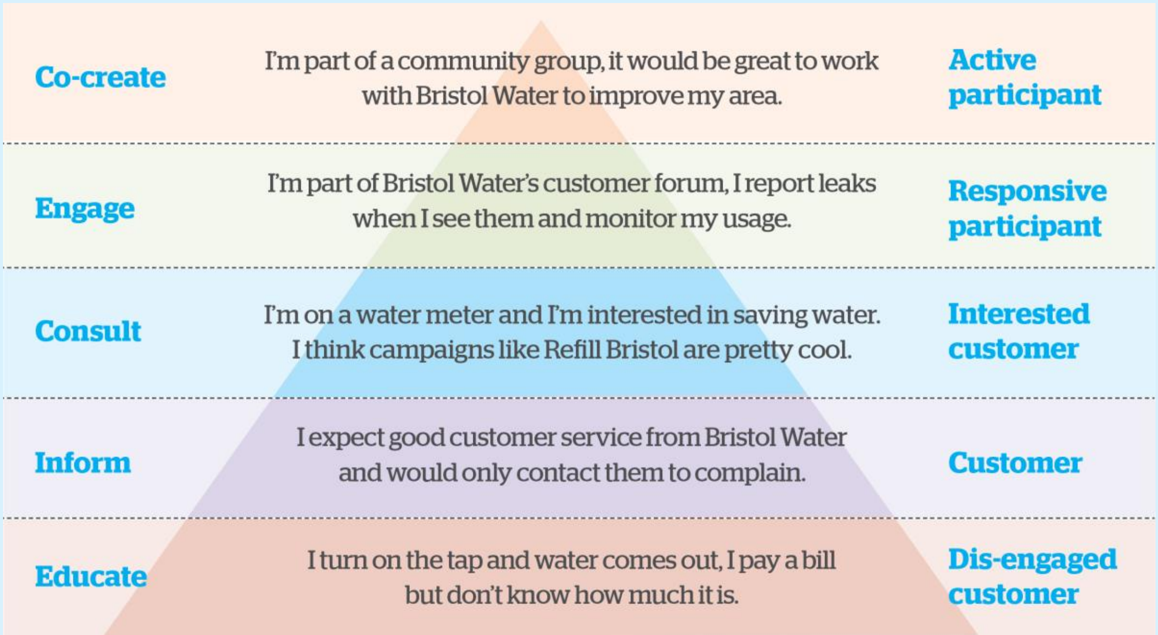

Figure 6 - Participation pyramid

44 A3: Customer Forum
45 A3a: Customer Forum September 2017
46 B17a: Water in the future
47 A3b: Customer Forum January 2018
48 A3c: Customer Forum March 2018
49 B26: Customer Summit
50 A3d: Customer Forum July 2018

Another example of how we used the pyramid is in our draft business plan consultation. Our consultation targeted customers at different levels of the pyramid using the channels we'd found most effective for them. The channels ranged from our household newsletter, WaterTalk, which sat at the widest point of the pyramid, to a full day customer summit where we asked our Customer Forum to tell us (and the other customers at the summit) whether our draft business plan adequately reflected their feedback to us. We also engaged with those customers sitting in the middle of our pyramid by feedback cards delivered after jobs were completed and an online panel where we had responses from 1,233 interested customers[51].

Spotlight on: innovation

Deliberative engagement events made use of innovative methodologies to help make complex topics understandable to participants. For example, at our deliberative workshops exploring resilience we used a top trumps budgeting exercise to investigate customers' views on the trade-offs between short and long-term resource options[52]. Participants in the workshop were able to discuss and give their views on various options available to the company individually and in groups, before they were introduced to the trade-offs on the reverse of the cards and asked to re-evaluate their initial choices. We added a stated preference valuation experiment to the beginning and end of our resilience workshops to understand more about how our customers might value services differently after considering them in more detail and talking with their peers and experts.

We have also created an **online 'slider' tool** which allows customers to select their preferred service level and see how this affects bills by moving the slider up and down[53]. This improves on the typical stated preference valuation experiment, by using a graphical interface and helps to reduce the complexity of trade-offs in a customer's decision making. To further expand on stated preference methods we used a **revealed preference** approach to explore the actual costs for customers of supply interruptions[54]. We gained valuable insight into both the costs incurred and the importance differences felt by customers depending on when a burst occurred. We were able to take much of the qualitative feedback we received as part of the survey and apply it to our business as usual customer service processes too.

These kinds of innovations are consistent with a triangulation approach, which we have adopted to ensure a robust and balanced evidence base[55]. The basic principle of triangulation is to use several different methods to estimate the same value, and to critically assess the different results to get a more robust picture. Innovative approaches allow us to do this in an effective and engaging way.

[51] A4h: Online customer panel April 2018
[52] B11: Deliberative resilience research
[53] B12: Innovative "slider" stated preference game
[54] B15: Revealed preference research: Focus groups and survey
[55] B20: Triangulation by attribute

Understanding the needs and requirements of different customers

Throughout our engagement we recognised that we need to more clearly understand the individual views and needs of our diverse customer base.

The participants of the research events were recruited in line with our customer segmentation model. This has enabled us to understand how customers' views on key issues differ across our different segments. For example, from our priorities focus groups we know that social renters place a higher priority on customer service compared to young urban renters[56]. Also, at our deliberative demand events, we found that safely affluent customers tend to place a higher priority on water meters as a means for managing supply and demand, whereas pressure management is least popular with safely affluent and thirsty empty nesters compared to other segments[57].

We also recognise that we need to engage with seldom-heard customers. These are groups of customers that generally have low participation rates in consultation and engagement processes (such as future customers and rural customers) or they face barriers in understanding – whether due to linguistic or cultural differences (i.e. English as a second language). More specifically, in order to engage different customers and to ensure we have really captured and understood their needs, we conducted focus groups with:

- Future customers;
- Customers living in a rural area;
- Customers on a social tariff;
- Customers from lower socio-economic groups;
- Customers from minority ethnic groups; and
- Customers with English as a second language.

In addition, with many of our representative online and telephone surveys, we also included a sample of 100 face-to-face interviews[58] to ensure we had captured the views of customers who are harder to reach.

As well as recognising our different customers' needs, we also recognise that engagement cannot be a 'one-size' fits all approach and that engagement methods must be adapted to reflect the individual circumstances of our various customers. As a result, our approach to engagement is varied and wide-ranging and it takes into account our different customer needs - for example our developers and retailers have very different engagement methods to our household customers and seldom-heard customers.

Our research on customers in vulnerable circumstances provides an example of how we have tailored our approach to engaging our hardest to reach customers[59]. The research was conducted in three phases including interviews with:

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[56] B5: Customer priorities focus groups
[57] B23: WRMP demand reduction deliberative event
[58] B6: Willingness to Pay; B7: Water Resources Research (Willingness to Pay, Part 2); B15 Revealed Preference Research; B28 Draft Business Plan Consultation Representative Survey
[59] B13: Customers in vulnerable circumstances

- Key Bristol Water employees who are involved in activities with third party stakeholders and vulnerable audiences;
- Key third-party stakeholders including charities, consumer interest groups and other organisations who exist to promote the needs of customers in vulnerable circumstances; and
- 18 in-home or in-venue paired in depth interviews, each comprising one customer who is in vulnerable circumstances, together with a trusted friend, family or carer – who may also be in vulnerability.

This approach is deemed most appropriate because it is less intimidating for respondents to meet a researcher in their own home or at a neutral venue of their choice (a coffee chop, a community centre) etc and to be accompanied by a trusted person. The in-depth interviews provided the time and focus to really understand the lives of these customers and so that we can understand how we can best meet their needs. The in-depth nature of these interviews enabled us to provide a more tailored approach - as the conversation and approach required would be very different for an unemployed man with a family to support compared with an affluent widow with limited mobility.

Creating a robust, balanced evidence base, drawing on a range of techniques

Our research approach has ensured that we have a robust, balanced and proportional evidence base to really understand our customers' priorities and expectations. We have used a mix of engagement methods and research approaches including quantitative, qualitative and behavioural research. As well as this, we have also drawn on data from a wide range of sources including customer contact and complaints.

We used triangulation of research as one means of ensuring a robust and balanced evidence base about what customers are willing to pay for our service and to improve it[60]. The basic principle of triangulation is to use several different methods to estimate the same value, and to critically assess the different results to get a more robust picture. For example, stated preference research has been combined with revealed preference research and behavioural economic insights applied to the design and interpretation of customer engagement. We felt it was important to introduce this principle to our PR19 team early, to help them understand how to interpret findings that can be complex and have degrees of uncertainty.

[60] B20: Triangulation by attribute

Spotlight on: customer action

We have started to identify new ways to involve customers in designing their own experiences of our service. We began redesigning our website in 2017/2018 and have involved customers throughout the design of the new website.

Firstly, we assessed all of our ongoing data to understand most frequent visited pages and also analysed most common reasons for inbound calls, emails and any complaints we have had about the existing website. We then created 6 customer personas from our segmentation model to turn our qualitative and quantitative research such as analytics, feedback and intuition into reliable and realistic representations of our key audiences. From this we detailed the customers' needs and expectations when visiting the website and uncovered universal features and functions that they share.

As well as this, in July 2018 we invited nine customers to head office for some user testing to ensure the websites usability for different customer groups before we launched in August 2018. Customers were generally very positive about the ease of use and the new scroll feature and some suggestions for improvements included bigger writing for the subpages.

"I really enjoyed the interview type/relaxed discussion. It was easy and I felt really useful as we were able to give our opinions and felt they were heard"

"Enjoyed my experience, felt it was very informative and gave me new information on online services Bristol Water have that I was not aware of. I think off the back of this session I will sign in and use the website more and excited to see new changes"

Demonstrating innovation in research approach and methodology, delivering outcomes that customers and society value at a price they are willing to pay

Our Engagement Framework has many methods which display innovation in the way we are engaging with customers. In particular, our approach to obtaining customer valuations through our willingness to pay research[61], revealed preference research[62] and our slider game[63] demonstrate a step change in how we are engaging customers in complex choices and trade-offs between the service we provide and the impact on their bill.

Our willingness to pay surveys have used a new and innovative approach to value water services than that used in PR14[55]. The methodology used in the research is essentially a combination of:

i) a form of best-worst scaling (the maximum-difference (MaxDiff)scaling method) in order to estimate relative utility weights between relevant attributes

[61] B6: PR19 Willingness to pay research, B7: Water Resources Research (willingness to pay part 2)
[62] B15: Revealed preference research: Focus groups and survey
[63] B12: Innovative "Slider" stated preference game

ii) a sequential contingent valuation exercise (package approach) in order to estimate the total willing to pay for particular packages of attributes, with respondents asked to perform valuations of packages.

This is an innovative alternative to the standard approach adopted in PR14 and has been peer reviewed by an academic who has applauded its strengths which included the simplification of the survey for customers to complete. In addition, this approach has arguably led to more robust valuations.

Our joint approach with Wessex Water was also something new and meant that our joint customers could place values on services with impacts on their joint water and sewerage bill. Figure 7 - B6 Willingness to pay research results mapped to customer priorities and our promisesFigure 7 shows the results of this survey mapped to the promises we are making to our customers in this plan.

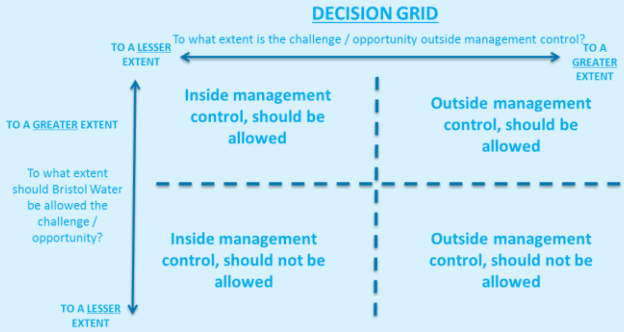
B6 - PR19 Willingness to Pay research - Quantitative valuation data from 1,016 customers		
Customer priorities	**Customer promises**	**What customers told us**
We give you a bill which you can afford	Lower bills for customers - affordable for all	Customers were overall willing to pay for service improvements, and did not want to see a deterioration of service linked to lower bills. Customers have a willingness to pay for services improvements of £20.96 for a +1 improvement package from the status quo and and £12.16 for a +1 package to +2 improvement package.
You get the best possible experience every time you need us	Achieving customer excellence	**N/A**
	Inclusive services that meets customers individual needs, especially when they are most vulnerable. Aiming for zero water poverty	**N/A**
Saving water before developing new supplies	15% leakage reduction	**N/A**
	Metering and water efficiency promotion and support	**N/A**
Trust beyond water – helping you to improve your communities and the local environment	Accountable to the community partners we work with for the wellbeing of society – 'Bristol Water For All'	**N/A**
	Building biodiversity and protecting our environment	Customers were willing to pay an average central value of £38 to reduce the instance of hosepipe bans. This was one of the lower values given by customers.
Keeping top quality water flowing to your tap	Improving water quality (including contacts for discolouration and taste)	Customers were willing to pay an average central value of £60 to reduce the instances of discoloured water and £147 to reduce the instances of water that doesn't taste or smell good (average central valuations)
	Reducing supply interruptions to 1.8 minutes per customer (our forecast industry top	Customers were willing to pay an average central value of £91 to reduce the number of planned supply interruptions (average central valuation).
	Resilience – boosting protection for population centres of more than 10,000	Customers were willing to pay an average central value of £136 to reduce the number of unplanned supply interruptions that last between 3 and 6 hours. Customers also placed a high value (£594) on avoiding long-term water restrictions.

	High contribution
	Medium contribution
	Low contribution

Figure 7 - B6 Willingness to pay research results mapped to customer priorities and our promises

Spotlight on: how customer engagement has influenced our cost adjustment claims

We engaged with our Customer Forum on cost adjustment claims in January 2018[64]. The purpose of the event was to understand customers' views on specific aspects of our operations that make us different to other water companies and how this can mean our costs are different to those of other water companies.



We engaged with customers on ten of our candidate claims at the time. We informed customers on a range of costs that we face due to our local circumstances; noting that some of the costs are driven by factors common to all companies and some of the costs are driven by factors only faced by Bristol Water. We asked our customers to what extent the challenge/opportunity is outside management control and to what extent these should be suggested for extra costs in our Business Plan. We asked customers to place the factors on a decision grid designed to capture some of the relevant factors for assessment of cost adjustment claims.

The engagement provided us with some key insights for example customers provided some level of agreement to the age of our network as a driver for higher costs and being outside of the company's control. There was also overall agreement for higher costs of treatment works due to the nature of our raw water sources and inability to secure alternative supplies in the next five years.

The insight we gained from our customer engagement has been used in the round, alongside the regulatory and business setting in which we find ourselves to inform our final cost adjustment claims as shown in Figure 8.

64 A3b: Customer Forum January 2018

Customer Research Area	Cost Adjustment Claim	Direction of claim	Economic Rationale	Likelihood of inclusion in Ofwat's models**	Regulatory Precedent	Strength of Case	Materiality	Customer Forum - outside management control	Customer Forum - should be included	Include in final submission?	Comments
Cost adjustment claims (special factors)	Congestion in the City of Bristol	+		unlikely in full						No*	Claim did not meet Ofwat's materiality test
	(One of the) oldest networks compared to other companies	+								Yes	Claim submitted to acknowledge to Ofwat future planned maintenance costs associated with the age and renewal work of the network likely to be lower than historic and therefore in the interests of customers
	Complex Processes at Treatment Works	+								Yes	Many of the evaluation criteria suggest this claim should be submitted, including customer views
	Sludge disposal	-		unlikely						No	Claim did not meet Ofwat's materiality test
	Wages in the Labour Market	+								Yes	Significant uncertainty regarding how Ofwat will accommodate wages in cost assessment, claim is based on this uncertainty
	Payments to CRT Charity	+		unlikely						Yes	Considered within management control by customers we engaged with, however without the canal source our supplies of water would be unsustainable. In interests of maintaining long term resilience this claim has been retained
	Permit to work on the roads	-		unlikely						No	Despite customer support for the claim, it did not meet Ofwat's materiality test
	Install a meter at every customer's property	+		unlikely						No	Not our agreed metering strategy for business plan so ultimately dropped and considered within management control by customers we engaged with
	Environmental initiatives	+								No	No new environmental initiatives identified which we consider will fall outside of the modelling
	High number of reasonably small water sources	+		unlikely						No	This claim was not identified as a business or customer priority, in the interest of limiting the number of claims this cost area was not pursued

*Included at early submission, materiality confirmed not to meet Ofwat's tests for final submission based upon latest available information

**Visibility of models will not be known until after business plan submission. The higher the likelihood of the cost being included in the models, the lower the likelihood to need the claim

Figure 8 - Cost adjustment claim decision matrix

We also conducted some revealed preference research with customers who had been affected by three recent supply interruptions[65]. We asked these, customers about the actions they had to take as a result of losing water supply. Customers were asked how much they, and their household or business, spent on alterative activities such as eating/drinking and how they travelled to buy or use alterative water facilities. This research enabled us to calculate the costs incurred by each affected customer based on the actions they took and the cost of travelling averaged across all respondents to estimate an average cost of interruption.

Our online slider game 'Build your future bill' is our experimental, innovative form of stated preference research, and was designed to supplement our full range of valuation and customer engagement studies[66]. We designed the slider to provide a more graphical, user-friendly and simple interface than a traditional stated preference choice card. The slider obtains data from respondents by asking them to select the desired service level for a set of service attributes using sliders and as customers select higher/lower levels the bill shown rises or falls to show the trade-offs between service quality and price.

[65] B15: Revealed preference research: Focus groups and survey
[66] B12: Innovative "Slider" stated preference game

Spotlight on: Valuation data

To ensure that our business plan delivers the outcomes that customers value at a price they are willing to pay, we conducted a range of valuation research. The programme of research was developed to address challenges set out by Ofwat's Water 2020 consultation, in which it suggested that companies innovate, move beyond traditional stated preference approaches and avoid the "one-size-fits all" valuation techniques used at PR14. The breadth of the research techniques we used has helped to ensure that the resultant valuations provide a robust, balanced and proportional evidence base to be triangulated to support the cost benefit analysis for the Water Resource Management Plan and the Business Plan.

PR14 data	• We reviewed the willingness to pay valuations from PR14
PR19 willingness to pay stage 1	• A joint approach with Wessex Water using a new and innovative Max-diff approach
PR19 willingness to pay stage 2	• Using the same max-diff approach as stage 1, we obtained specific valuations for water resource options to inform our Water Resources Management Plan
Benefits Transfer	• We looked at valuation data from existing sources such as PR14 industry valuations and published government guidance to understand the range of valuations for the industry. The analysis provides a benchmark against which to compare our PR19 valuation research eg. to assess where valuations sit compared to previous research or research from other companies or sources during the triangulation process
Macroeconomic analysis of drought impacts	• We drew on macroeconomic data to estimate the amount of economic output in our supply area that would be lost following severe water use restrictions
Revealed preference	• We asked customers after three supply interruptions how much they spent on alternative activities including direct expenditure such as eating/drinking and additional travelling costs to calculate the average cost of interruptions for customers. Using information on demand for prices of other good to value water service improvement including assertive behaviour, value of lost economic output, hendonic pricing methods and travel cost methods
Slider game	• Our innovative stated preference survey via an online game produced customer valuations in a fun and engaging way
Mini stated preference at deliberative resilience events	• We used voting key pads at our deliberative event both at the beginning of the day and the end of the day to understand how customers valuations may change once they have spent the full day learning about issues

Figure 9 Summary of our valuation studies

Spotlight on: Triangulation

We developed our approach to triangulation through collaborative working with our engagement and economics advisors, the BWCP and our specialist employees[67]. We decided not to use a 'mechanistic' approach where we applied a simple rule to all our data. Given the wide range of different methodologies we had used, we felt it was important to find an approach that took into account the findings of our qualitative research as well as our valuation studies. We also wanted to be clear about how confident we could be in our valuations and we wanted to understand where we needed to be particularly cautious because different values could change our business plan significantly. Based on an expert assessment of each value our studies generated, we chose to use a structured process and we developed a simple flow chart to test whether we could rely on any given valuation and whether we had any reason to think it might give an over or under estimate.

The process resulted in a range of values for each service attribute, with a high, low and central valuation where we had enough evidence. We also gave each attribute a confidence level, based on the amount and quality of evidence available. For example, we had data from five different sources about how customers value short term interruptions, but they covered a wide range so we were able to estimate a high, central and low valuation with a medium degree of confidence.

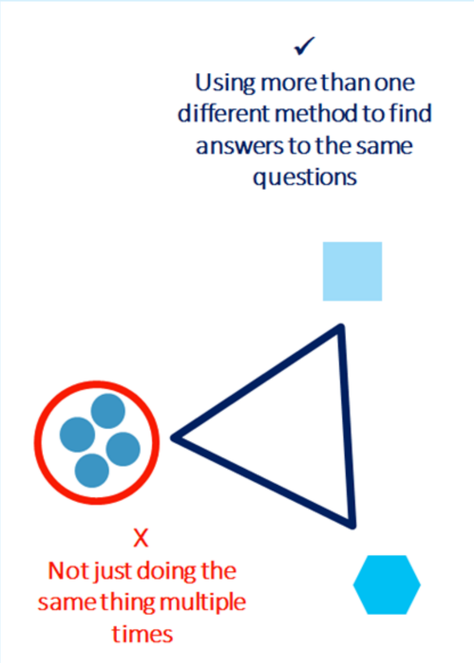


Figure 10 Triangulation

To validate the ranges we used in our business plan modelling we carried out another valuation survey in May 2018[68]. The second survey asked customers to choose between our three possible plans: slow, suggested and faster - based on the low, central and high valuation ranges. We found that the suggested plan was acceptable to the majority of the 612 customers we surveyed, even when we tested different overall bill levels to simulate the effects of inflation or costs outside our control which could affect customer bills.

[67] B20: Triangulation by attribute
[68] B27: Sensitivity Testing

Demonstrating our commitment to understanding and responding to the needs and requirements of customers

Our employees have contributed towards an innovative and effective approach to customer engagement through employee roadshows[69]. These roadshows also help support the development of a company culture with customer engagement at its heart. We have also established an employee online panel which mirrors the customer online panel; the employee panel ensures our people know what we are talking to customers about and enables them to understand how their opinions may be similar or different[70].

As well as this, we are members of the Institute of Customer Service, a professional membership body which helps its members to improve their customers' experience.

Engaging with stakeholders

As a small company, we hold very close relationships with our stakeholders and we value their input and expertise. Our Water Bar and Refill Bristol campaigns are examples of how we work in partnership with community stakeholders in order to build the trust of customers in their water supply and to protect the environment. For the development of the plan, we have drawn on our ongoing engagement activities such as our stakeholder survey[71], environmental tripartite meetings and debt advice workshops[72], as well engaging in one-off pieces.

Every year we conduct a stakeholder consultation survey with a range of our stakeholders[66]. The survey consists of a mixture of in-depth interviews and telephone surveys. The consultation is monitored and benchmarked and is an important piece of our ongoing engagement which explores the attitude and options of our community's key influencers. We ask respondents for feedback on their interactions with us, and their perception of Bristol Water's performance, and their views on the challenges ahead. Encouragingly, we have seen an upward trend in our key performance indictors including the service received, value for money, our reputation and our rating as a corporate citizen. Feedback from the in-depth interviews (conducted in 2018) revealed that our stakeholders consider us to provide excellent communication. It also confirmed that they believe us to be responsive, engaging and approachable. The stakeholders surveyed value the staff they interact with and have built up strong relationships with our people. Some felt that we need to be more proactive in reaching out and would value even more contact which we have taken on board in our stakeholder management planning.

We value the expert knowledge of our stakeholders and have engaged with them on specific issues for our business plan. We have worked closely with our key environmental stakeholders on an ongoing basis through our Tripartite Environmental Group. The group includes key stakeholder representatives from the Environment Agency, Natural England and selected members of the Bristol Water Challenge Panel; their objective is to provide strategic oversight of environmental issues affecting the development of key plans including the business plan, Water Resources Management Plan, the Drought Plan and wider issues around resilience. The group have been instrumental in establishing

[69] A10: Staff roadshows
[70] A13: Staff online panel
[71] A8: Annual stakeholder survey
[72] A14: Debt advice workshops

measures for environmental performance and in delivering support for the continuation of Bristol Water's catchment management programme.

In our customers in vulnerable circumstances research we conducted ten face to face and telephone interviews with key stakeholders such as debt advice agencies, local community groups and social housing organisations[73]. We wanted to understand the wider context of vulnerable groups, the implications for business planning and to identify opportunities to collaborate as part of our ongoing engagement. During the research, we discovered that where we have a close working relationship, our stakeholders were happy with the service and support we provided to people. However, the research indicated that there is an opportunity for us to collaborate more closely with non-financially focused stakeholder groups (such as local authorities, community groups and charities such as groups who work with people with sensory deprivation, or mental health issues).

We have worked with stakeholders to help develop and shape our long-term 'Bristol Water… Clearly' ambition[74]. We also held workshops to engage key environmental stakeholders where we had one-to-one interactions, group presentations and discussions at key stages in the process, and conducted interviews with stakeholders interested in supporting vulnerable customers.

Engaging with developers and self lay providers (SLPs)

We have redesigned and re-energised our approach to engagement with our developers and Self Lay Providers in order to create a closer working relationship and to embed engagement across all of our customer groups. As part of this, we reviewed all the available insight from developers and SLPs to present a clear understanding of their priorities and perceptions which included annual surveys, the Water UK survey and also a bespoke piece of research on voice of the customer to refresh our understanding their perceptions of our service and their priorities for improvement[75].

We established our Market Engagement Days in 2017 as an ongoing engagement activity to bring together Developers and Self-Lay Providers (SLPs) to build relationships, communicate information, and receive feedback[76].

[73] B13: Customers in vulnerable circumstances
[74] B17: Co-creation workshops with stakeholders
[75] B10: Developer and SLP engagement review
[76] A9: Market Engagement Days

Spotlight on: developers and SLP's

During our first Market Engagement Day developers and SLPs told us that they would value more regular engagement and communication and that they wanted more Market Engagement Days as well as face to face meetings.

As a result of this feedback we held our second Market Engagement Day in November 2017, we engaged with attendees on D-Mex and our new charging mechanism, site issues and retail separation. We also held a specific session to gain insight on our new website and what they would like to see on it. Attendees also told us that they wanted to see the outputs of the sessions, we responded by providing a newsletter wrap up to all developers and SLPs summarising what we took away from the day, how we plan to use the information and also to answer any outstanding queries.

Discussions have found that improvements could be made to the application process and they welcome the introduction of a new Developer and SLP portal to manage applications and other works.

Some ideas that have been implemented as a result of the Market Engagement Days include CAD drawings, combining quotations for mains and services and also new and improved web forms on our website.

As with all our engagement, we talk about current business topics as well as future plans. With developers, we used our Market Engagement Days as part of our consultation on the new charging approach for developer services, which we successfully introduced in April 2018.

Engaging with retailers

Since the opening of the retail market, we have engaged extensively with the retailers we serve[77]. A continuous and tailored engagement strategy has been developed with each of our retailers in line with their individual needs and requirements.

Day to day engagement with retailers takes place through a dedicated wholesale service team with a dedicated account manager with a direct line, email and access to our retailer portal to provide a continuous feedback avenue. We also carry out regular surveys to measure our retailer's perception on the service we provide[78]. We have sent five surveys so far, three around ongoing business topics with a focus on continuous improvement (using an online survey tool) and two with retailer account managers (via email) after a major incident which sought feedback on our response and communications before, during and after the incident and one about our PR19 draft business plan.

[77] A15: Retailer engagement
[78] A15a: Wholesale satisfaction survey 1&2 (Aug and Dec 2017), A15b: Wholesale satisfaction survey 3 (March 2018)

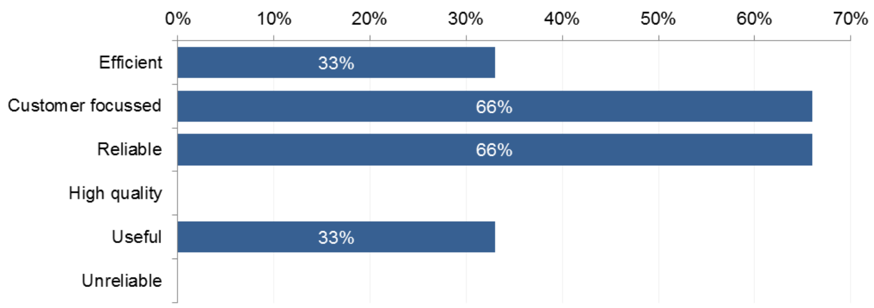


Figure 11 Output from retailer engagement survey "which of the following words would you use to describe our products?"

We recognise that some of our retailers work across England and Scotland and are not able to attend multilateral meetings in Bristol. With this in mind our approach has been focused on meeting the retailers at their offices as well as at national events. Quarterly engagement visits are used to gain feedback on our service and how we can improve. The visits are also used as an opportunity to provide retailers with an update on our performance, market performance and comparative information and any company news, including our plans for 2020/25.

Improvements

A Bi-lateral comms started

B Start the Water Industry Accredited Entity Scheme (WIRSAE)

C Access to Digdat mapping service given to all retailers

D Retail Notification Service launched for retailers

E Pin point app

Figure 12: Timeline of retailer engagement

Spotlight on: Retailers

The non-household retail market opened on 1st April 2017, within the year our customer base had quickly grown from 3 to 18 active retailers. We have signed contracts with 26 in total. Though the market codes dictate the level and quality of service expected from a wholesaler, our wholesale team continue to innovate and invest in our services and give a tailored and excellent service that goes beyond what the market has officially dictated.

Receiving feedback from our retailers via account meetings, online or email surveys and forums has ensured we are able to adapt and improve the services we offer. We are making continuous improvements to the way we interact and communicate with our retailers and this ensures we are able to provide a consistently high level of customer service.

Below is a list of innovations and improvements we have already delivered to enhance the customer experience to our retailers:

- A bi-lateral function which pre-populates request forms from retailer systems in to our retailer portal rather than having to enter it manually, saving retailers time and minimising the risk of error;
- Free access to Bristol Water's GIS mapping system via a link on our retailer portal so that the retailer has access information on location of their customers supply pipes and meters, saving time and reducing transactions;
- A targeted Retailer Notification System (RNS) went live in June 2018, which provides retailers with tailored notifications regarding their customer;
- A retailer app, *Pinpoint* provides Central Market Operating System (CMOS) data in the field and allows data updates, photos and the location of meters in real time. Discussions are on-going on developing the functionality and usability with our partner *Wheatley*. This has been recognised as a potential national solution. The app is currently being piloted with our retailers;
- WIRSAE Accredited Entity Scheme – Bristol Water has been one of the designers and driving forces behind a national accredited entity scheme to allow further competition in the market by allowing retailers a choice in who carries out such works as meter changes and disconnections instead of just the wholesaler. The scheme is independently run by *Lloyds Register*; and
- Branded poster campaign for retailers to share our messages around water efficiency, leakage, water regulations and cold/ hot weather preparation.

We have received positive feedback on these services.

In a relatively new market, it is important to note that a majority of retailers are still establishing themselves and defining their unique selling point. The main concern thus far has been wholesaler performance and accessibility and we have already started making changes to ensure we excel in customer experience, along with market and operational performance to achieve top 5 within the industry.

We recently conducted a specific PR19 survey following the sharing of our draft business plan. We have found that, whilst PR19 has been an important segment of the retailers' discussions engagement on the topic has been slow. Following the survey, the feedback we received was positive; retailers signified that they believed Bristol Water to be performing above other retailers. Below are some statements which reflect the feedback we received from our retailers on our PR19 plan:

- **"Bristol continue to be the most innovative wholesaler and their PR19 plans reflect this"** - Waterscan
- **"Bristol Water's Portal is already one of the most user friendly, so plans to enhance this further are a great idea"** - The Water Retail Company
- **"We think your posters are a great idea and wish more wholesalers took a leaf out of you book"** - First Business Water

7.3. What we found out

Phase 2 provided us with a wealth of information about how our customers view Bristol Water, our services and long-term issues like resilience and financing. This detailed feedback has informed many different areas of our business plan. Overall, the top priorities of our customers have remained largely unchanged from PR14 -with reliability, water quality, and affordability consistently prominent across most of the research we did in phase 2.

The value customers place on our service

Understanding what our customers believe to be a fair price to pay for our services was an essential part of developing our business plan. Critically we evaluated the findings of all seven valuation studies (the triangulation process described above in Spotlight on: Triangulation) to give us high, low and central estimates of customer valuations.

When we compare the valuations of our domestic and non-domestic customers we find that, in most cases, our non-domestic customers (including small and large businesses) are prepared to pay more than individual households, except in the case of metering[79].

When combined with qualitative insights about customers' expectations for their supply, our research suggests that they want Bristol Water to do more, for less.

Water quality and reliability of supply

Water quality is consistently a top priority for our customers. 90% of respondents to our 2018 annual customer survey said that water quality was very important[80], although customers do differentiate between safe water and discolouration which is not harmful, as found in our March 2018 online customer panel[81]. We also know that customers are happy to pay for demonstrable improvements in the incidence of poor taste and appearance. Our triangulation of valuation evidence suggested that customers are willing to pay around £2.10 to avoid a few hours of discoloured water, and around £3.30 for a few hours of water with taste and odour issues[77]. However, when we talked to our customer online panel about discoloured water we found that 63% of the panel wanted us to turn the water back on even if it appeared discoloured. We heard that, in the case of water being off for over 12 hours, 45% wanted the water turned back on even if discoloured no matter how long it had been off for[82]. We found similar levels among customers who had experienced interruptions – with 47% of the 400 customers in our revealed preference research saying they would prefer the water to be back on as soon as

[79] B20: Triangulation by attribute
[80] A5e: Annual customer survey 2018
[81] A4g: Online customer panel March 2018
[82] A4a: Online customer panel April 2016

possible, and 51% preferring to wait until it is “completely normal”[83]. This suggests that customers prefer water that is clear, but not at the expense of reliable supply.

Reliability of supply is another high priority, 94% of 2018 annual customer survey respondents said that it was very important, although we also find that customers are understanding of one-off events and often focused more on how we could improve our response to them[84]. Our valuation research told us that customers value avoiding interruptions to service, with figures ranging from £91 from domestic customers for a planned interruption of 3 to 6 hours, up to £426.60 for an unexpected interruption of a few days[85]. Our revealed preference research[86] told us that customers who had recently experienced interruptions had spent an average of £12.31 on alternative food, drink and travel. The revealed preference research also gave us valuable insights into how customers felt we could respond better when things go wrong, which has influenced our plans for customer excellence. For example, around 60% of the 400 customers involved in the research reported that they were satisfied with the way we provided information, and many had suggestions for improvements.

Low pressure comes up fairly often in discussions with customers across all our engagement activities and was the cause of around 10% of complaints in 2016/17[87]. It is understandably more of a priority for those affected than for customers more generally, and it does not appear in our annual survey.

We asked our customers about investment in water quality and reliability and we asked what areas they felt most comfortable investing in. In our March 2018 customer panel, our customers prioritised reliability above local environment, resilience and customer experience[88].

Vulnerability and affordability

Affordable bills are a high priority for our customers and we also know that some customers struggle with their bills. When we asked customers about our support for vulnerable customers, including the financially vulnerable, we found that the majority are supportive of our efforts.

During our engagement with customers in vulnerable circumstances we considered the range of different risk factors that could mean someone was in vulnerable circumstances, from employment to age to medical conditions and communication needs[89]. Customers in vulnerable circumstances told us that they were accustomed to having challenging relationships with organisations in general, and that they had low expectations of being proactively offered help and support. Conversely, they told us that once they had spoken with us regarding the possibility of receiving financial assistance they were positive about the experience and they consider us easy to work with and found the signing up process straight forward. Our customers and stakeholders are impressed by the range of support that we offered, but too few customers were aware of the help we can offer beyond help with their bills**.** They feel more could be done to raise awareness and promote the help available. They also told us that they were not all online and that informal networks were important to them. They also suggested that we should develop deeper understanding of individual circumstances by building personal relationships

[83] B15b: Revealed preference research
[84] A5e: Annual customer survey 2018
[85] B20: Triangulation by attribute
[86] B15b: Revealed preference valuation
[87] B4: Customer experience of attributes review
[88] A4g: Customer online panel March 2018
[89] B13: Customers in vulnerable circumstances

and by being aware that it is better to act before there is a problem and to keep the message of the support available with frequent reminders.

Our stakeholders also told us that affordability was important. During our stakeholder workshops, to develop our long-term strategy, our stakeholders told us that working with others organisations to address growing inequality was a priority[90]. When consulting with stakeholders who work with people with specific needs, we found that where we have a close working relationship, our stakeholders were happy with the service and support we provided to people. However, there is an opportunity for us to collaborate more closely with non-financially focused stakeholder groups (such as local authorities, community groups and charities such as groups who work with people with sensory deprivation, or mental health issues).

Following our in-depth research, we wanted to understand how many of our customers might be eligible for support. Our Social Tariff Eligibility Modelling has helped us to understand the proportion of our customers that are eligible for our schemes. The modelling has also enabled us to better understand which geographic areas are under or over represented for help with affordability. This told us that we are not currently reaching as many customers in vulnerable circumstances as we should. Our analysis of the number of people in our supply area who would be eligible for our financial support tariffs suggested that up to 50,000 customers could benefit and that we are currently reaching around 1/3 of these[91].

For a more detailed explanation of customers views on affordability and vulnerability, see document **C2 - 'Addressing affordability and vulnerability'.**

Resilience and the long term

Resilience is not a topic that our customers immediately raise as a priority when asked about the role of the water company. To obtain a clear view on resilience we carried out targeted research to give our customers time to explore the issues with Bristol Water employees in advance of providing us with their views. We talked to 223 customers in a series deliberative events about securing adequate supplies of water in the Bristol area. During these events our customers told us that, over the long-term, they would prefer that we prioritise reducing demand before increasing supply and they see this as having a greater impact and cost. In a game that asked customers how they would like Bristol Water to prioritise various water resource measures we found that demand measures were chosen around twice as often as measures to increase supply[92]. Leakage and water efficiency are the key mechanisms customers want us to use to reduce demand, but they also want us to make the most of our current water sources.

This focus on managing the supply-demand balance through demand reduction measures was supported by 85% of the 265 customers who responded[93], the most common theme of these responses was that we should focus on reducing waste before building new infrastructure. However in the deliberative workshops, customers who had spent more time discussing the issues tended to support a

[90] B17a: Water in the future
[91] B21: Social tariff eligibility modelling
[92] B11. Deliberative resilience research and B23: WRMP Demand Reduction Deliberative Events
[93] B22: dWRMP Consultation 2018

mixed approach because they felt increased supply would be needed in the longer term beyond the current WRMP[94].

Our customers have mixed views on metering, some customers are strongly in favour of metering and others are concerned about fairness and the effects on those already struggling with bills. This view matches the findings of our valuation research which shows that, on average, customers do not value the roll-out of meters compared to other service areas[95]. We focused on the link between metering and leakage reduction in our second series of deliberative workshops held with 112 of our customers over the course of a whole day. Across the 112 customers, participants were evenly split when asked to prioritise water meters as a tool to reduce demand. We found that customers in our three highest income segments (Safely Affluent, Comfortable Families and Thirsty Empty Nesters) prioritised water meters more often, while those in the three lower income segments (Social Renters, Mature and Measured, and Young Urban Renters) were more likely to say it was a low priority[94]. When we asked our customers more about their views they confirmed that the potential for increased bills to those less able to manage them was the key concern for those opposed to meter rollout.

When we ask customers about drought risk they tell us that they don't see it as a concern for the Bristol Water area, having rarely experienced it. In our deliberative events on water resources most of the 111 participants told us they were not prepared to pay more to reduce the risk of drought, and felt the cost of maintaining the water network should be covered by their current bill[96]. Our customers tell us they are happy with the current level of risk and in our deliberative workshops on the WRMP our customers told us that a long-term view was important to them and they preferred costs to be spread over time[94]. Customers at the events told us they felt confident that Bristol Water would ensure future supply. Our customers also noted that supply was something they had taken for granted before attending the workshop and suggested that Bristol Water should communicate more details on long-term issues. In our WRMP consultation, 73% of 265 customer responses agreed that the plan strikes the right balance of risk for the short and long-term, with 21% of customers saying they didn't know[93]. When we asked whether customers were concerned that the plan might lead to unaffordable water bills 58% of customers said no, but again 18% of those who responded were unsure and 24% said they were concerned, most frequently mentioning the possibility of unforeseen work costs arising.

The natural environment and our role in the community

While some of our customers know about our environmental activities through visits to the lakes, or other programmes, like resilience it is not a top priority for many customers. In our 2017 annual customer survey, 94% of customers said that it was very or quite important to protect the environment, but that it was not in the top 10 items[97]. Similarly, being environmentally friendly was the lowest priority for our customer panel in our December 2016 survey, despite 85% of customers agreeing that it should be a priority for the company[98]. For some customers, particularly the most engaged customers such as those who participate in our customer forum, and many stakeholders, the natural environment is an area where they want Bristol Water to show leadership. For example, at their first meeting in

[94] B23: WRMP Demand Reduction Deliberative Events
[95] B20: Triangulation by attribute
[96] B11. Deliberative resilience research
[97] A5d: Annual customer survey 2017
[98] A4c: Online customer panel December 2016

September 2017[99], our customer forum chose environmental sustainability as one of their four priorities. When we asked our Youth Board about their environmental views we found that the majority of the group said they care about environmental issues but are sceptical about the influence they could have, while a minority told is they were passionate about individual actions. Our Youth Board carried out their own survey of 250 of their peers and they told us that 94% of our future customers, who responded, said it was very or quite important to protect the environment. The findings reflected the same proportion as our main customer survey; however for our future customers this was the third highest priority and suggested that future customers have higher expectations for environmental standards[100].

We know from our valuation studies that customers are willing to pay for environmental improvements, with both our online slider tool and resilience workshops showing positive values[101]. However, we also know that we need to be clear about what's proposed to get a precise valuation. In our deliberative workshops on resilience most participants expressed support for increasing resilience in the natural environment but often they did not have a clear understanding of what this would involve, and debated whether it was the responsibility of Bristol Water or an issue for government[102].

Our role in the wider community is a priority for some of our stakeholders; this includes those with an interest in the environment. In the stakeholder workshops we conducted to develop Bristol Water Clearly, our long-term strategy, our stakeholders highlighted engagement with water and other environmental resources as one of their top three priorities, and understanding the environmental costs of our work as another[103]. When we asked our environmental stakeholders about their priorities they highlighted environmental sustainability, an active role in the community and resilience as priorities for the long term[104].

We find that customers don't tend to prioritise community impact over more concrete services like water quality, but they do see it as a positive aspect of Bristol Water. Our customer panel selected local environment and resilience as their second priority; this was below reliability but above customer experience[105]. Our customer panel also told us that they found our proposed community outcome was the least easy outcome to understand[106], prompting us to reconsider how we could make our plan meaningful to customers.

Customer experience

We were pleased to find that many customers reported having had good experiences of our customer service. This finding reflected positive results in the national customer service benchmarking survey we commissioned and the 86% of our online panel who rated our service good or excellent in our April 2016 survey of 1,600 customers. Customers did identify areas for improvement throughout our research; areas for improvement included speed of resolution and keeping customers informed (especially in our conversations with our customers who had experienced interruptions and in our

[99] A3a: Customer Forum September 2017
[100] A12: Youth Board
[101] B20: Triangulation by attribute
[102] B11: Deliberative resilience research
[103] B17a: Water in the future
[104] B17b: Environmental resilience co-creation
[105] A4g: Online customer panel March 2018
[106] A4e: Online customer panel July 2017

analysis of our ongoing customer data[107]). When we asked our online panel what they would expect us to deliver in the future they highlighted mobile apps, more use of digital and social media and the use of smart meters in order to give our customers more information about their water use[108].

Traffic disruption was an area that caused some dissatisfaction and was the 5th most common reason for "dissatisfied" calls in 2016/17[107]. We received mixed feedback from customers about whether traffic disruption was something we should address with investment. In our June 2016 online panel survey, 69% of 1,300 customers said they would not prefer a bill increase in order to increase weekend working and reopen roads sooner. Of those customers who were willing to accept an increase most thought this should be limited to no more than £10 per year[109].

Penalties and rewards, financing and risk

The choices we make about financing our service can have a significant impact on customer bills so we carried out in depth deliberative research with 38 customers to explore the options. We started by exploring participants' personal attitudes to financing and found that customers consistently chose to pay up front and avoid interest charges where this was possible although this effect was strongest for older participants[110]. After a day of discussion, and a game that asked participants to manage their own water company, customers at this event told us that they were keen for bills to stay low and steady, that borrowing was favoured only when it helped keep bills low, and that we should aim to pay off investment in assets during their lifetime, not storing up costs for future generations. We also explored how the bill level affects customers' preferences for investment. We found that a lower overall bill does make customers more comfortable investing in service improvements, particularly for those in difficult financial circumstances.

To help us understand what our customers think about our penalties and rewards approach we held a series of focus groups with 29 customers from across our segments[111]. Our customers told us that they wanted us to set ourselves targets; they confirmed that when those targets relate to the basic service we provide that we should face financial penalties if we don't meet them. Some customers also wanted financial targets for protection of the environment, water quality, and how we support vulnerable customers. For these targets, our customers stated that they were happy for us to have a mix of penalties and rewards in these areas. Our customer asked us to be flexible about whether penalties and rewards are paid immediately (they preferred this for our service targets) or periodically (which they thought would suit our longer term ambitions).

[107] B4: Customer experience of attributes review
[108] A4c: Online customer panel December 2016
[109] A4b: Online customer panel June 2016
[110] B19: Company financing and bill impact deliberative event
[111] B14: Performance commitments focus groups

8. Phase 3: Testing options March 2018

8.1. What we aimed to achieve

As we started to develop our business plan options we wanted to involve our customers in shaping the choices. Rather than decide on just one or two options to test with customers in our open consultation, we decided to test a wide array of options at an earlier stage of the process – this gave our customers more ability to influence our plans. In line with the Ofwat principle of achieving the right outcomes, at the right time, at the right price, we felt it was important that customers had a say in the crucial stage of interpreting the customer research from phase 2 and formulating options to take forward to consultation. We also wanted to test whether our customers would still be willing to pay for improvements in a situation where bills were higher overall (for example because of changes to the cost of borrowing for water companies) or if they would be willing to invest more in improvements where bills have gone down (for example because of efficiency savings).

8.2. What we did

		Type of activity							Type of data			Incidence	
Phase 3 - Testing options	Reference number	Focus groups/depth interviews	Desk study	Deliberative research	Collaboration/Co-creation workshops	Reconvened discussion forum	Community engagement	Quant/Qual survey	Qualitative	Quantitative	Valuation	BAU - ongoing/regular engagement	One-off
Customer Forum	A3					X			X			X	
Online Customer Panel	A4					X		X				X	
Business plan options deliberative event	B24				X				X	X			X
Business plan options focus groups with seldom-heard customers	B25	X							X				X
Sensitivity testing	B27							X			X		X

Table 4 Activities during Phase 3

Bill levels

To test the options we had identified for our business plan we ran one deliberative workshop with a representative group of 38 customers and one focus group with 24 customers located in more rural areas, customers with English as a second language and customers on low incomes[112]. We first

[112] B24: Business plan options deliberative events, B25: Business plan options focus groups with seldom-heard customers

provided context for customers by providing comparative information in the form of performance and bill levels for a range of other companies. We then discussed different service areas with customers, before introducing different options for investment in those service areas, and the impact on customer bills. We used scenario games to see whether customers' opinions on these investment options changed with different bill profiles. This exercise provided qualitative evidence about how customers decided whether the price of service improvements was acceptable if the overall bill level was higher or lower. We repeated the exercise with our online panel to see whether other customers had similar views.

B27 - Sensitivity Testing- Quantitative valuation data from 612 customers		
Customer priorities	**Customer promises**	**What customers told us**
We give you a bill which you can afford	Lower bills for customers - affordable for all	Customers accept the business plan with lower bill impacts and lower levels of service, which probably reflects customers' income elasticity of demand. That is, better off customers tend to accept plans with better service and higher bills, but less well off customers may only accept lower costs plans. Some customers may have a budget constraint limiting their willingness to select a plan with a larger service improvement and higher bill. 'Safely affluent' and 'comfortable families' have the highest propensity to accept the business plans, accepting the highest cost plan 80% of the time.
You get the best possible experience every time you need us	Achieving customer excellence	N/A
	Inclusive services that meets customers individual needs, especially when they are most vulnerable. Aiming for zero water poverty	N/A
Saving water before developing new supplies	15% leakage reduction	Respondents indicated an 'expected' WTP of £2.57 to avoid 1Ml/day of leakage in the whole supply area.
	Metering and water efficiency promotion and support	Respondents indicated an 'expected' WTP of £0.72 for a 10% increase in metering. They also indicated an 'expected' WTP of £6.62 to improve water efficiency using education and water saving devices.
Trust beyond water – helping you to improve your communities and the local environment	Accountable to the community partners we work with for the wellbeing of society – 'Bristol Water For All'	N/A
	Building biodiversity and protecting our environment	N/A
Keeping top quality water flowing to your tap	Improving water quality (including contacts for discolouration and taste)	Respondents indicated an 'expected' WTP of £2.30 and £3.36 in order to reduce the probability a 'few hour' incident at one property by 1% for discolouration and taste/smell respectively.
	Reducing supply interruptions to 1.8 minutes per customer (our forecast industry top quartile)	Respondents indicated an 'expected' WTP of £184.49 in order to avoid an unexpected interruption of 3-6 hours for one property.
	Resilience – boosting protection for population centres of more than 10,000	Respondents indicated an 'expected' WTP of £56.60 to avoid one expected day of interruption in one property from level 4 drought restrictions. They also indicated an 'expected' WTP of £1.84 to reduce the probability of a low pressure incident at one property by 1%.

(dark blue)	High contribution
(mid blue)	Medium contribution
(light blue)	Low contribution

Figure 13: B27 Sensitivity testing, Quantitative valuation data mapped against customer priorities and our promises (n=612) respondents

We also carried out a survey to test this quantitatively by randomly assigning a different overall bill level to customers, giving us evidence about what level of improvement would be acceptable if we could deliver a lower bill through efficiency, as in our draft business plan[113]. The survey built on the deliberative testing that explored how we could ask these questions, given that with our maintenance and community driven plan, it was hard to explain how we were going to deliver the ambitious service levels proposed in a way that could demonstrate that customers really understood what we were testing – careful design of our acceptability research at plan options and final decision phases with the Board were required. This work was designed to understand whether, and how, our customer priorities changed to different bill levels not linked to service changes, as well as the cost of packages of service improvements. We used this research to test our triangulation of the range of willingness to pay studies from phase 2 and used the results to develop the packages of plan options for the consultation on our draft plan in phase 4. For the results of this survey mapped to the promises we are making to our customers in this plan, see Figure 13.

Focus areas and potential performance commitments

Our Customer Forum (our most engaged group of customers) met in March 2018 to review our initial business plan options[113]. They met for a full day, and we ran through many of the same activities that we conducted in the deliberative workshops and focus groups described above. However, as our customer forum members are more familiar with Bristol Water, we had more time to discuss the detail of our plans and to consider our focus areas in more depth. We also asked for their feedback on how we were presenting the performance commitments associated with each focus area and the measurements we were suggesting.

We conducted a similar exercise with our future customers, the Youth Board, we discussed the focus areas investment options and bill levels. Our Youth Board listened to presentations from our senior employees on different areas of our plan, they then offered feedback and told us their views on the bill impacts of different options[114].

8.3. What we found out

Priorities for investment in our business plan

When we met with our Customer Forum in March 2018[114], they gave us invaluable advice about how to present our draft business plan and the performance commitments that underpin it clearly to other customers. We asked the forum to prioritise our draft performance commitments in order of importance, and then again with information about the costs of improvements in different areas. This reflected our developing understanding that customers see some service attributes as *important* without necessarily feeling they need to *improve.* Looking across the three outcome areas, the forum told us that overall they felt reliability warranted the highest investment, followed by local and environmental resilience, and then customers experience. Although local and environmental resilience was often prioritised by customers they questioned what outcomes higher investment would deliver. Customer experience was least often prioritised, with some customers arguing that Bristol Water was already doing well, or

[113] B27: Sensitivity testing
[114] A3c: Customer Forum March 2018

suggesting that it was a distraction from the core service. Our Customer Forum also told us that, within the outcome areas, some attributes were more important than others. For example some participants wanted us to invest more in reducing water poverty as opposed to other aspects of customer experience. They also challenged us to justify why we had not included commitments for areas like renewable energy which they saw as an important part of our long-term planning.

Our online panel gave us similar feedback to the forum in our March 2018 survey of over 1,500 customers. The online panel prioritised reliability, followed by local and environmental resilience and then customer service[115]. Within each outcome they also told us that the highest priority attributes were water quality, leakage and water efficiency respectively. When our Youth Board carried out a survey of 250 of their peers we found the same pattern[116].

Bill levels and investment

We used four different methods to test whether customers would support the levels of investment in improvement suggested by our triangulated valuation research. We tested three packages of investment (no investment, a package of around £8, and a package of around £18), and three scenarios for bill levels (a bill level similar to current prices, a decreasing bill where we delivered cost efficiencies, and an increasing bill for example if costs of borrowing were to increase).

Bill level / ***Investment in services***	**Decreasing**	**Steady**	**Increasing**
Option 1: No investment	£181	£192	£213
Option 2: £8	£189	£200	£221
Option 3: £18	£199	£201	£231

Table 5 Bill levels tested in phase 3

We tested this with customers who had already engaged: our Customer Forum of 30 customers[115], our online panel of 1,500[116], and with customers sampled to represent our segments[117]. We ran a full day deliberative event of 38 customers, three focus groups totalling 24 customers and an online survey of 612 customers[117]. In all of these activities, we found that customer appetite for investment in services decreases. However, this shift is not even, as described above, customers tend to value reliability over local resilience and customer experience.

In our customer forum we found that the majority of customers supported an improvement package costing £8 where bills were the same or decreasing, but fewer participants chose to invest if bills were likely to be higher overall[118]. We were able to quantify this finding in the survey of our online panel when we found that 56% of 1,500 customers chose the medium package of £8 where bills stay steady, compared with just 30% if bills were to increase and 50% if bills were to decrease. The number of

115 A4g: Online customers panel March 2018
116 A12: Youth Board
117 B27: Sensitivity Testing
118 A3c: Customer Forum March 2018

customers choosing the higher investment package followed the same pattern[119]. We found the same pattern in our deliberative event and focus groups and because we had selected these customers to represent the demographic mix of our customers we were able to compare customers in different circumstances. We found that older customers, with higher incomes, were more likely to choose the highest level of investment and not to change their preference as bill levels changed. In contrast younger customers and those in more difficult financial circumstances were more likely to say they would prefer not to invest if bills went up[120].

In our representative survey of 612 customers we were able to test this more robustly by randomly assigning customers to one of the three bill levels rather than asking them to consider all three[121]. In the chart below the three **columns** show customers preferred plans at different base bill levels. The different shade of blue **rows** show the faster, suggested and slower plans. The middle column shows the same prices as the business plan consultation and shows around 48% of customers choosing the suggested plan[121], compared with 44% across the other consultation activities[122]. Across the three columns we see that customers are more likely to choose the suggested or faster plans when the base bill is lower. This result, along with our other research, told us that lowering the cost of the bill overall was likely to make the cost of improvements acceptable to more customers. This effect was particularly pronounced for customers with lower incomes (e.g. the Social Renters segment).

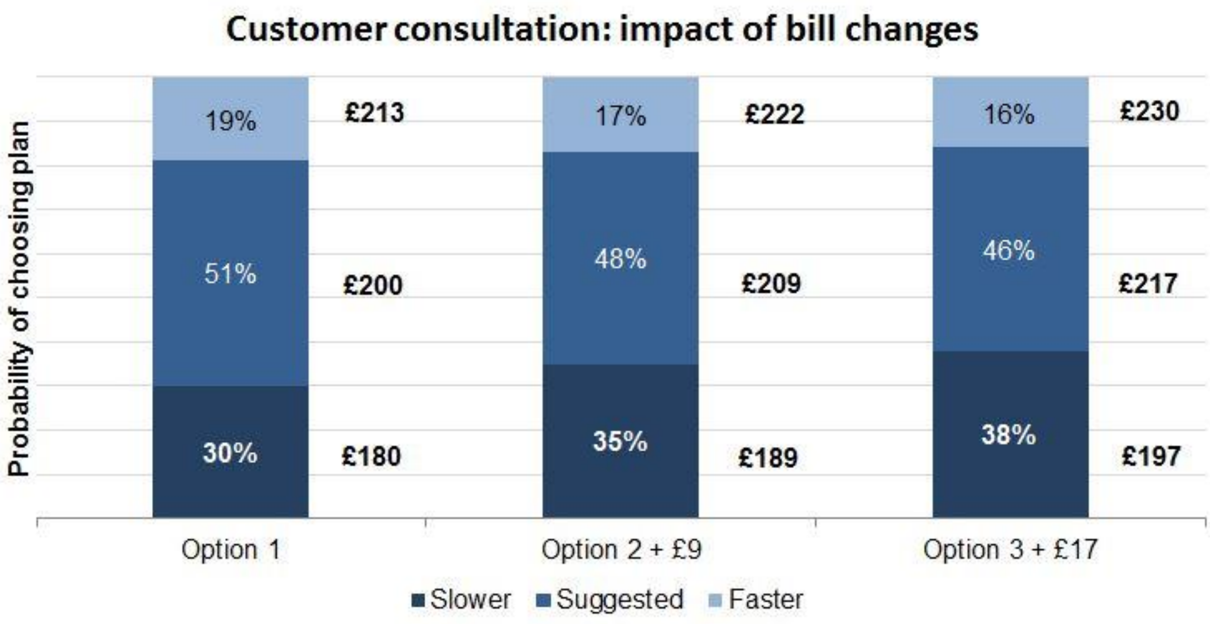


Figure 15 Results of B29: Sensitivity testing

[119] A4g: Online customer panel March 2018
[120] B24: Business plan options events
[121] B27: Sensitivity testing
[122] B30a: Draft Business Plan Consultation conclusions and next steps

You can read more about the performance commitments we considered, and chose not to include, in **C3 - Delivering Outcomes for Customers**. The document has a summary of each outcome, performance commitment and incentive and explains the customer research associated with each measure.

Spotlight on: stakeholder collaboration

Over the past couple of years, we have started working collaboratively with some of our stakeholders. We have collaborated with stakeholders in both issues involving areas relevant to their work but also in some of our long-term planning as a business.

Co-creating our long-term ambition – Bristol Water… Clearly

We developed our long-term ambition with input from our customers, developers, employees, and our executive team, as well as with two groups of stakeholders[123]. We asked for views on our role, ambition, our objectives and plans, and also on opportunities for collaboration moving forwards. Our stakeholders were particularly interested in issues around economic inequality in the region and support vulnerable customers, and also working with our customers to better understand local environmental concerns. All the outputs from these sessions fed into the development of our long-term strategy, Bristol Water… Clearly.

Workshops with environmental stakeholders

Addressing environmental challenges and upholding our responsibilities to the environment is an area where we believe it is particularly important to work together with local and regional experts. As such, we hosted a co-creation workshop focused on environmental resilience involving new and existing stakeholders[124]. The purpose of the workshop was to improve the ways in which we work together to meet common goals and to review current initiatives with a view to generating ideas for potential new initiatives. Priority areas identified included: improving and managing public access to lakes and reservoirs, catchment management, and screening of fish and eels. These areas were explored in detail, identifying needs to ensure future success, as well as potential networks and partnerships that to further support these initiatives going forwards. Stakeholders also provided feedback on how to continue to improve working relationships and communication.

Creating a resource efficient West of England

Evidence from many studies shows that action to drive water efficient behaviour is more effective when exhortations to change behaviour are linked to other campaigns and when delivered by trusted advisers. As such, Bristol Water hosted a workshop with a range of stakeholders from across the region to discuss the over-arching topic of resource efficiency, and how related campaigns could support each other to further their goals. The workshop objectives included the sharing of best practice, identifying opportunities to better co-ordinate and co-deliver existing initiatives, and to establish a commitment to take forward innovative ideas for joint-working. Barriers to collaboration were identified, as well ideas for future collaboration, and six actions were agreed upon to progress the work. The outcome of the

[123] B17a: Co-creation workshops with stakeholders – Water in the Future
[124] B17b: Co-creation workshops with stakeholders – Environmental resilience co-creation

workshop "Resource West" sees organisations getting together to deliver co-ordinated messages on water, waste and energy efficiency far more effectively than we can do by working in isolation. It takes Refill and our existing partnership approaches several stages further[125].

Debt advice workshops

We work closely with the debt advice partners we fund by holding quarterly engagement visits, training opportunities as well as annual workshops[126]. The workshops are a key opportunity for us to update our partners on tariff changes and scheme updates as well as working together to understand how we can work more collaboratively for the benefit of customers in vulnerable circumstances. In February 2018, we discussed our plans to increase affordability (for all, in the long term and for those struggling or at risk of struggling to pay) as outlined in our Vulnerability Strategy 2020-2025. Key discussion points included how we raise awareness of our Priority Services, how do we better identify those who are at risk of financial difficulty and suggestions around more appropriate funding solutions.

9. Phase 4: Consulting on our plans April and May 2018

9.1. What we aimed to achieve

This phase of our PR19 engagement programme was designed to talk to our customers about our draft business plans. This included the Water Resource Management Plan and the business plan, both of which were in draft form by April 2018. Drawing on feedback from the options phase we presented three possible plans which represented slower, suggested and faster paths to the same long-term ambitions. The aim of this phase of the programme was to test these options as widely as possible, both with customers who had been on the journey to develop the plan with us and those seeing it for the first time. We wanted to understand whether our suggested targets, and the investment required to meet them, were acceptable to our customers. You can see our draft business plan here.

Customer engagement to achieve the right outcomes at the right time and at the right price

We asked customers to consider three potential plans in a seven week consultation from 29 March to 17 May 2018. The consultation across the three plans was designed to identify the timing and price that customers preferred us to meet our outcomes. We offered three plans which all led to the same long-term ambition but delivered outcomes at different times. Our slower plan offered customers a lower bill but at the price of more gradual improvements to service, in contrast our faster plan asked customers to consider whether they would be prepared to pay more to reach those goals sooner. This consultation period, combined with our research into customer preferences for incentive structures, helped us to understand not just what our customers want us to achieve but how.

[125] B17c: Co-creation workshops with stakeholders – Creating a resource efficient West of England
[126] A14: Debt advice workshops

We used early acceptability testing (described under phase 3 above) carried out by NERA and Traverse in order to help triangulate our customer Willingness to Pay, and inform the design of our incentives[127]. It also tested how customer priorities change depending on the factors other than service choices that affect bill levels, such as efficiency and the cost of capital. Understanding whether customer priorities for services changed depending on bill levels was an important part of our plan development, as it informed our incentives design as well as really understanding how the trade-offs our Board faced in their final plan decisions could be informed by all the customer engagement and research we carried out.

		Type of activity							Type of data			Incidence	
Phase 4 – Consulting on our plans	Reference number	Focus groups/depth interviews	Desk study	Deliberative research	Collaboration/Co-creation workshops	Reconvened discussion forum	Community engagement	Quant/Qual survey	Qualitative	Quantitative	Valuation	BAU - ongoing/regular engagement	One-off
Online Customer Panel	A4					X		X				X	
Summer roadshows	A11			X			X					X	
Customer summit	B26					X			X				X
Draft business plan consultation - representative survey	B28							X	X	X			X
Draft business plan consultation - focus groups with seldom heard customers	B29	X							X				X
Draft business pan consultation - open consultation	B30						X	X	X	X			X

Table 6 Activities during phase 4

9.2. What we did

Phase four was a concentrated period of engagement where we spoke to over 4,000 customers in just over a month of activity. We carried out over 2,500 surveys with new customers[128], over 1,200 members of our online panel[129] and met over 220 customers face to face to workshop the business

[127] B27: Sensitivity Testing
[128] B28: Draft business plan – representative survey
[129] A4g: Online Customer Panel March 2018

plan[130]. We went out to events across our supply area to speak to customers and we used Water Talk, our household magazine, to ask for feedback[131]. We made the most of the digital skills we have developed to deliver organised online communication campaigns (Table 7). We also brought our price review team, such as the Programme Director and Director of Strategy and Regulation, into a public debate about the choices we faced was a priority. We had tweet chats about the different factors driving our plan (e.g. what's great about the customer experience in a Disney Store) rather than just talking about our proposals. We felt that it was important to regularly test how our business plan was perceived by those customers who had not been on the journey with us.

As part of this phase of engagement, we reconvened groups of customers with whom we had tested our options in phase 3. We brought together our Youth Board[132], Customer Forum[133], and the customers who participated in the deliberative event[134][135] and the focus groups[136] to participate in a Customer Summit[137]. This was held at our offices and was a day of discussion and deliberation around the refined options for our business plan.

	A total of 4,097 customers participated in the Draft Business Plan Consultation	
	Target	Achieved
Face to face discussions • Hard to reach focus groups • Face to Face survey • Customer Summit	230 30 100 100	227 31 100 96
Surveys with engaged customers	1000	1,233
Surveys with new customers • Representative survey • Sensitivity testing survey • Open consultation • Summer roadshow • Out card survey	1,845 1000 600 200 200 50	2,637 1040 612 261 700 24
Communications reach	718,000	• 477,000 online impressions • 530,000 Water Talk magazines delivered to homes • 2,000 out cards left by Ops staff • 1 radio broadcast

Table 7 Number of customers involved in Phase 4

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130 B29: Draft business plan consultation – focus groups with seldom heard customers
131 B30: Draft business plan – overall consultation
132 A12: Youth Board
133 A3: Customer Forum
134 B23: WRMP demand reduction deliberative events
135 B24: Business plan options deliberative events
136 B25: Business plan options focus groups with seldom-heard customers
137 B26: Customer summit

Spotlight on: our Customer Summit

By early 2018 we had already heard from thousands of customers, and seen a real step change in how employees across Bristol Water were thinking about customer engagement. We decided to launch our draft business plan with an event that celebrated this while continuing to push ourselves to bring our customers into the heart of our business. So, we invited 96 customers who had taken part in our engagement programme over the previous year to our head office one Saturday in April to give them a first look at our business plan and ask them whether we had heard and understand what they wanted from us in 2020[133].

Table 8 Number of customers involved in Phase 4

Comments from customers who attended the customer summit:

"I feel that our views and thoughts have been listened to and actioned"

"We believe education and children are the future that can make the difference"

"The business plan offers a water supply that is safe sustainable and resilient and gives options on how fast improvements can be made through the pricing strategies"

"The business plan still needs to address plastic and renewable energy"

"We are all responsible and take ownership of Bristol water"

We got to find out the draft business plan, we got to see how all the ideas we've contributed have come together into the plan – thoroughly enjoyed it"

"It's been lovely that Bristol Water want to involve the customers in their decision making so much, and how much they care about their customers has been very apparent.

"I think it's important for the public to see the plans… without people's input and feedback, things won't change, so it's really important for Bristol Water to get honest feedback from customers".

What we asked

This period of consultation asked our customers about the following areas:

- Our ambitions and priorities;
- The overall bill impact;
- Individual performance commitments;
- Our outcomes; and
- Vulnerability Assistance.

Our outcomes and priorities

We set the scene with our ambitions from 'Bristol Water…Clearly' and we discussed our five priorities for 2020-25 which, at the time of the draft business plan, were:

- You get a bill you can afford;
- Keeping the water flowing to your tap;
- Help you to improve your community;
- Save water before developing new supplies; and
- You get the best possible experience every time you need us.

Overall bill research

We describe the approach and results in the context of chapter **C3 – Delivering Outcomes for Customers**, where the relevance of the information is of most use in reviewing the context of our plan development.

Individual performance commitments

We presented customers with distinct alternatives for 11 performance commitments, enabling them to effectively ‘build their bill’ by selecting the level of improvement, or not, they would like to see in each area. This responded to feedback from our customer forum who often told us that they didn’t view all commitments in a given outcome as equally important, for example wanting to invest more in social tariffs and less in customer service improvements. This exercise helped us to get beyond customers initial preference for water quality and reliability to understand exactly what commitments they see as good value and worth funding.

Outcomes

We asked customers their views on the three outcomes with performance commitments associated with them, they were:

- Excellent customer experiences
- Local community and environmental resilience
- Safe and reliable supply

Vulnerability Assistance

As our previous research into vulnerability indicated that we should do more to inform customers of our social tariffs and we used this opportunity to explore how much support our customers had for funding additional support for those struggling to pay.

9.3. What we found out[138]

Our ambitions[139]

Our customer feedback at phase 4 told us that our customers are generally supportive of our ambition to be a trusted, local water company. The feedback also provided us with helpful information about how to make those ambitions clear to them. Across the consultation, 93% of the 308 customers told us they supported our ambitions. Of those who suggested additions an explicit reference to water quality and reference to protecting the environment were the most common. However some customers said they would prefer to see Bristol Water focus on water supply and not issues like community. A total of 2,517

[138] *All the evidence in this chapter is summarised in our consultation report B32a which brings together evidence from our summer roadshows, customers’ summit, representative survey, focus groups and open consultation.*

[139] B30 Draft business plan consultation - overall consultation

customers gave feedback on the individual ambitions we tested, and we found that the proportion of customers who agreed with each reflected our other work, reliability and affordability were top priorities.

- Keep water flowing to your tap: 97% agreed or strongly agreed;
- You get a bill you can afford: 92% agreed or strongly agreed;
- Do things better and save water before developing new supplies: 86% agreed or strongly agreed;
- You get the best possible experience every time you need us: 82% agreed or strongly agreed; and
- We help you to improve your community: 62% agreed or strongly agreed[140].

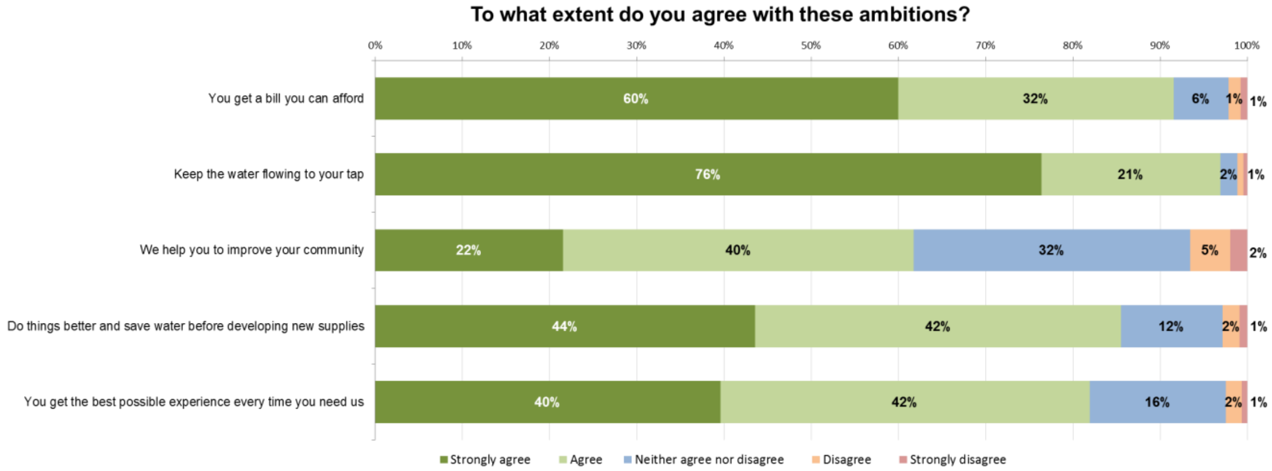


Figure 16 B30a Draft business plan consultation (n=2517)

[140] Total percentages in the graph are rounded to the nearest whole number

Spotlight on: external communications and social media campaign

We ran a 6 week social media and external communications campaign which shared our suggested plans in fun, engaging ways along with encouraging customers to share their thoughts with us.

Over six weeks we reached 477,000 online impressions, with direct 2.5% engagement. Every day we ran online challenges, quizzes, polls and competitions. The two week Water Challenge, which raised awareness of how precious water is and encouraged people to save water, was very popular with 26,500 impressions resulting in us donating £4,500 to Water Aid. We ran Facebook Live Q&As, Tweetchats and live broadcasts. In our Tweetchats we kept the discussions casual and based on people's perception of quality service, e.g. Why is Disney so good at service? And challenged people what they'd prioritise if the ran a water company. We also gathered a group of local social media influencers and bloggers for a 'Go Social Jam' which resulted in our plans being presented to audiences with a neutral tone, and from different perspectives.

In more traditional media, we appeared on BBC Bristol Radio breakfast show as a guest, and they dedicated a whole show to an outside broadcast at our treatment works and head office. The show included a tour of the treatment works, an interview with our CEO, one of our employees reviewing the morning papers and people sending in their questions for us. We supported this with online posts and encouraged people to share their views of our plans. The outside broadcast had 60,000 listeners, all in our local area.

We also encouraged our employees to get involved, as well as running focus groups for their input on the plans, we ran an employee advocacy programme, encouraging them to ask local friends, family and neighbours to get involved and share thoughts.

Our overall approach to sharing our suggested plan was to take elements of the strategy and share through stories with straight forward explanations. We wanted it to be engaging and fun as well as informative. From this we got a good response from our online survey and our face to face surveying at the water bar as well as when we were out and about. It resulted in straight, open and honest discussions and our customers helping us shape the way we communicate with them in future.

9.4. Our overall plan

Much of the feedback on our draft business plan consultation showed us that our customers expect us to deliver good value for money, and they challenged us to deliver services at a lower price[141]. This, in line with our earlier research on how customers respond to different bill levels, told us that we needed to look hard at how we deliver our plans at a lower price to customers. As shown in Figure 18[142] a majority of our customers favoured the suggested or faster plans for excellent customer service experiences and local community and environmental resilience, but were evenly split on our proposed investment in safe and reliable supply. When we looked at the comments customers made about the options we often found that customers had chosen the plan they felt offered best value. For example, customers who chose the faster plan for local community and environmental resilience often noted that there was only a small increase (£2) from the suggested plan and felt this was worth paying. In contrast they often commented on the large increment between the suggested and faster plans for customer service. Where customers commented on their choice, those who chose the slower plan often told us that their priority was for the lowest bill possible. In contrast, those who chose the suggested or faster plans tended to say that they felt the plans represented a good investment for the future or good value for money. As in our sensitivity testing, we found that customers in more difficult financial circumstances were more likely to choose the slower plan.

The impact of your service options on your bill

	Slower improvement	Suggested improvement	Faster improvement
Excellent customer service experiences	£0	£2	£8
Local community and environmental resilience	£3	£10	£12
Safe and reliable supply	£5	£14	£18
Total increase to average bill	£8	£26	£38
Estimated efficiency	-£30	-£30	-£30
Average bill in 2025 before inflation	£170	£188	£200
Forecast inflation	£19	£21	£22
Average bill in 2025 after inflation	£189	£209	£222

Figure 17 Extract from draft business plan consultation document

If we consider the preferences of our customers to deliver at least the suggested plan, by comparing the proportion who chose the slower plan, and those who chose the suggested or faster plans we find that for most of the performance commitments considered the majority of customers would be likely to accept the suggested plan[143].

141 B30: Draft business plan consultation - overall consultation
142 Total percentages are rounded to the nearest whole number
143 B31: Customer consultation recommendations and next steps

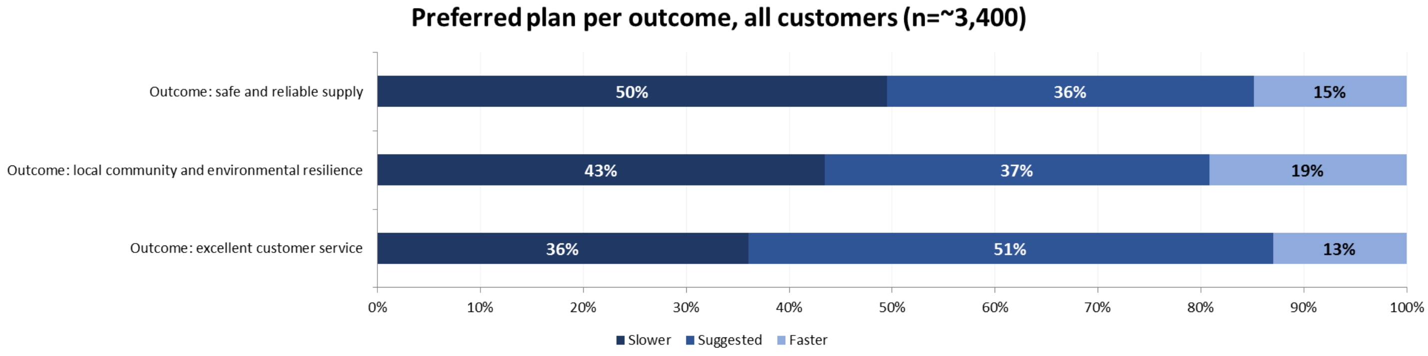


Figure 18 B30: Draft business plan consultation – overall consultation

		Cumulative view of level of service improvement		
		Slower plan or above	**Suggested plan or above**	**Faster plan**
	Overall preference for investment	**100%**	**56%**	**12%**
Excellent customer experiences	**Package**	**100%**	**64%**	**13%**
	Customer experience	**100%**	**66%**	**8%**
	Vulnerability assistance	**100%**	**64%**	**15%**
Local community and environmental resilience	**Package**	**100%**	**56%**	**19%**
	Leakage	**100%**	**56%**	**17%**
	Water used by customers	**100%**	**48%**	**16%**
	Enhancing your local environment	**100%**	**60%**	**22%**
	Stakeholders satisfied with our contribution to the local community	**100%**	**44%**	**12%**
Safe and reliable supply	**Package**	**100%**	**51%**	**15%**
	Water quality	**100%**	**46%**	**18%**
	Interruptions to supply	**100%**	**33%**	**9%**
	Water that doesn't look clear	**100%**	**54%**	**13%**
	Water that doesn't taste or smell right	**100%**	**72%**	**33%**
	Protection against a major water supply event	**100%**	**47%**	**23%**

Table 9 Summary of customer feedback in B30a: draft business plan consultation

Our customers also gave us detailed feedback about the performance commitments they felt needed to be addressed at a faster or slower rate and those where our suggested plan felt right to them.

9.5. Outcome: excellent customer service

We found that 58% of our customers in the consultation preferred the suggested plan for delivering our performance commitment of excellent customer experiences and 8% chose the faster plan. We found that customers who had spoken to our team at our summer roadshows were more likely to choose the faster plan for customer experience, perhaps reflecting their positive experience on the day. Our Social and Young Urban Renters segment were more likely to choose the slower improvement plan and tended to say that they preferred a lower bill.

49% of customers chose the suggested plan for our performance commitment on vulnerability assistance and a further 15% chose the faster plan, and customers who supported the suggested and faster plans overall often mentioned support for vulnerable customers as a reason for their choice. We asked a number of additional questions about our vulnerability assistance proposals to understand what our customers would like us to invest in. 75% of customers agreed that we should support people who cannot afford their bill and 84% thought we were taking the right approach in encouraging customers to pay something they could afford (see Figure 20[144]).

When given the choice between different levels of assistance for vulnerable customers, customers had a higher level of agreement to maintaining the current level of cross subsidy to support social tariffs compared to the two higher levels which would see their contributions increase. However, 53% of customers told us that they supported the increase of social tariffs from 50% of those eligible to 75% of those who could potentially benefit (see Figure 21[145]). This is particularly true for future customers, affluent customers, and rural customers. We tested acceptability of how we can share benefits of performance with customers, including the degree to which ensuring all eligible customers who want a social tariff should be able to benefit from it.

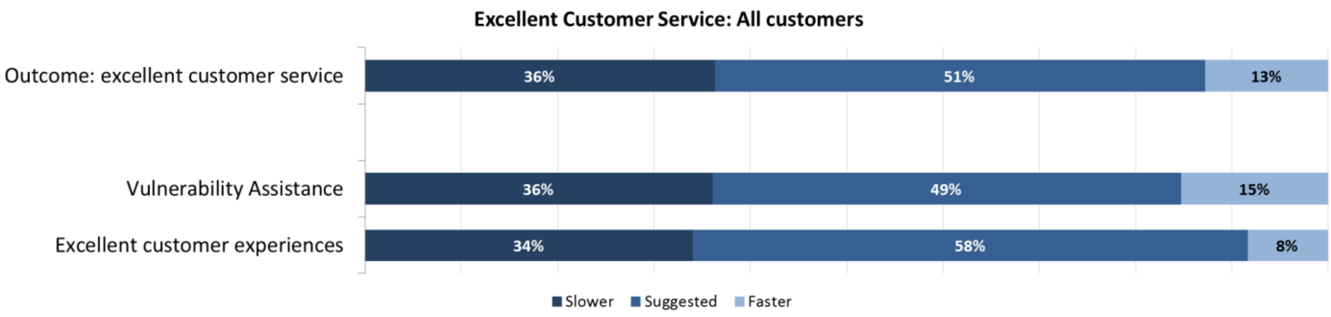


Figure 19 Draft business plan consultation results for excellent customer service

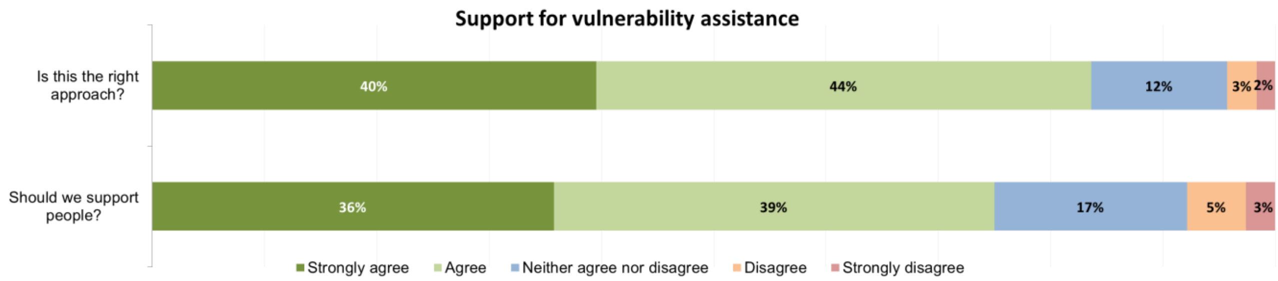


Figure 20 B30a: Draft business plan consultation

[144] Total percentages are rounded to the nearest whole number

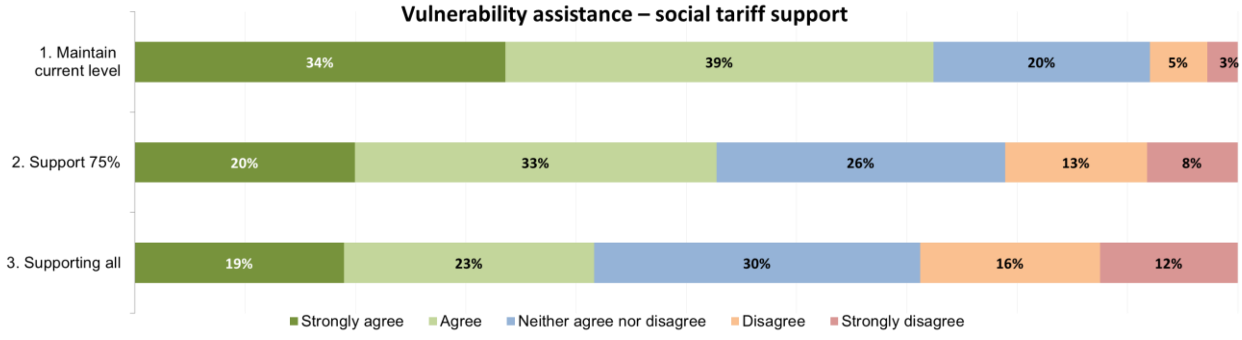


Figure 21 B30a: Draft business plan consultation

9.6. Outcome: local community and environmental resilience

In our draft business plan consultation we found that the performance commitments under the local community and environmental resilience had some of the highest levels of support for the faster plan, and for the slowest plan, reflecting the mixed views our customers have about how much of a priority these issues should be for investment.

When we asked customers about a performance commitment on our contribution to the local community we found that 12% of customers chose the faster plan, telling us that they saw Bristol Water as an organisation with an important role in the community, although they also asked us to be clear about how we would demonstrate our impact. In contrast 55% of customers told us they preferred the slower plan, often arguing that this should not be the role of the water company at the expense of customer bills.

Our customers had similarly mixed views on enhancing the local environment. Of the 41% of customers who preferred the slower plan many said that environmental enhancement was not a concern for them. However, the 22% of customers who chose the faster plan often commented on how important they felt environmental issues were, and some said that they had chosen the faster plan overall to ensure this measure was included. We also had a number of comments from customers who felt we needed to explain the biodiversity index more clearly.

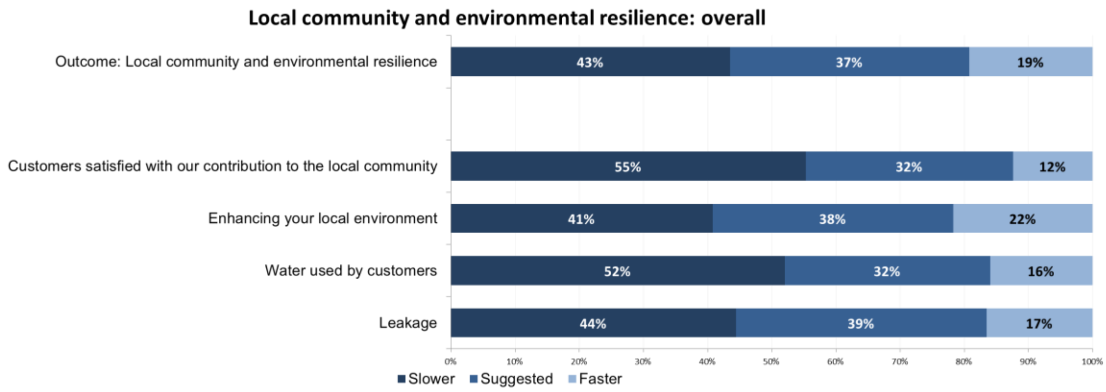


Figure 22 B30a: Draft business plan consultation

52% of our customers told us they would prefer the slower plan on our ambition to reduce the water used by customers, in contrast with 16% who chose the faster plan and ask for Bristol Water to help educate consumers. Our faster plan on leakage was supported by 17% of customers, with 39% choosing the suggested plan and 44% choosing the slower plan. On both of these performance commitments some customers told us that they felt they should not be paying to reduce waste, or the amount of water used, and these should be the responsibility of the water company who wouldn't benefit from them. However, in the context of our other research we know that leakage is a priority for our customers and they do want to see it addressed.

9.7. Outcome: safe and reliable supply

Customers responding to our consultation were evenly split on the investment package for the safe and reliable supply outcome. In the context of our evidence that our customers see this area as a priority this presents a clear challenge to us to deliver improvements at lower cost. The suggested plan in this area had a forecast cost of £14, relative to a £5 increase for the slower plan; this outcome had the highest investment levels of the three which is likely to have influenced customer choices.

Delivering water that tastes and smells right was the performance commitment where our customers most often chose the suggested plan (39%), and another 33% chose the faster plan. When we asked about water that doesn't look clear 46% of customer chose the slower plan, 41% the suggested and just 13% the faster plan. Surprisingly, given preferences expressed in other research 54% of our customers told us they preferred the slower plan for water quality and just 28% chose the suggested plan. There were few comments explaining this preference, but customers often comment generally that water quality is important and they did prioritise the taste and smell of water as the most visible signs of quality.

Our customers were also most likely to choose the slower plan for both protection against a major water supply event (53%) and interruptions to supply (67%). Many customers commented that they had not experienced interruptions and so did not feel they were an issue that required investment; others argued that it was more important to manage interruptions and keep customers informed than to reduce their incidence.

You can see more about how the feedback from our draft business plan consultation influenced each of our performance commitments in document **C3 - Delivering Outcomes for Customers** and in the Appendix to this document which shows graphically how each piece of customer research relates to the customer promises we have made.

Figure 23 B30a: Draft business plan consultation

Spotlight on: our draft business plan consultation

The draft business plan engagement, with early acceptability testing to triangulate customer WTP through three plan options and three bill levels was, we believe, innovative. We believe that the scale of customer response (over 4,000 is c0.8% of our customer base), the publicity we received in both local and trade press, and the impact on the awareness of Bristol Water's ambitions is unprecedented. We tried to benchmark our approach to other water companies, and worked with Wales & West Utilities as they began their strategic and customer engagement for the Gas Distribution Review. For the water sector, we found few comparators in terms of visibility of bill and service levels. To achieve this consultation, our Board had to be confident at the end of March 2018 that three plan options were all well founded in terms of cost, and sufficient confidence on the risk and financial viability issues so that we could consult without making commitments to customers and stakeholders that we couldn't track to our final plan. This accelerated our plan assurance in areas such as outcome incentives, but helped to ensure that final plan decisions were grounded in evidence that had been fully tested with customers. We think this approach sets a new benchmark for utility price review consultation, particularly for a small and local utility. For Bristol Water, the dialogue, the communication, the presentation and the engagement across the company to deliver the plan was both innovative and transformational, grounded in this research and engagement approach.

10. How the research influenced our proposed final business plan

As we have moved through phases 1 to 4 of this process we have discovered a wealth of information about who our customers are, what they prioritise and what influences those preferences. We have conducted early acceptability testing to sense check if our plans are on track to be supported. We have engaged over 37,000 customers in this process and have used different methods to involve customers based on their needs and preferences.

As we closed the consultation on our draft business plan and we reviewed what our customers were telling us we combined this insight with our previous research to draw the following conclusions to take forward to the final business plan.

10.1. Our outcomes and priorities

The priorities were presented in the draft business plan as:

- You get a bill you can afford;
- Keeping the water flowing to your tap;
- Help you to improve your community;
- Save water before developing new supplies; and
- You get the best possible experience every time you need us.

These were largely supported by our customers.

Water quality remained a top priority for customers, with many saying that it should be our core area of focus. Therefore we have amended one of our listed priorities to *keep top quality water flowing to your tap*[145]*.*

We have presented our customers with both an outcome and a priority on the community. Bristol Water was founded on the value of supporting the local community by providing safe and reliable water for all and this is an important value that the company still holds. We have had mixed views throughout our long-term engagement programme on this topic. However, when talking to customers about specific initiatives such as Refill Bristol or our work to protect and maintain leisure sites such as Chew and Blagdon, generally customers are very supportive, if unaware of Bristol Water's role. We therefore decided to carry out additional research in phase 5 into the specific initiatives as a result of this conclusion.

The remaining priorities will not change, as they had already been based on a large amount of customer insight, and the support for these in the draft business plan continued. For example, save water before developing new supplies is consistent with the feedback we received in phase 2 at the WRMP deliberative events where customers were keen that we do more to encourage a change in the demand for water rather than invest in new supplies.

The environment also had mixed opinions from our customers and again this is often because it is spoken about in general terms. In addition, we have found that our future customers and most informed customers, as well as the BWCP, tend to prioritise environmental concerns. Therefore we will maintain the outcome "local community and environmental resilience".

[145] B30a: Draft business plan customer consultation conclusions and next steps

10.2. Overall bill level

	Slower	Suggested	Faster
Overall preference for investment	44%	44%	12%

Table 10 Summary of customer feedback on draft business plan

When combining all data sources from the draft consultation, we found that there was least support for the faster plan, and broadly a 50/50 split between preferences for the slower and suggested plan. From these findings we decided to continue with the suggested plan into the final business plan as we would expect that those who choose the faster would opt for the suggested rather than the slower plan if given the choice between these two.

As we have seen throughout the research conducted within the framework, affordability concerns have driven customers' choice of the slower plan, whereas customers also value the service improvements in the suggested plan. We decided to look towards delivering the suggested plan at a lower cost as it would likely maximise customer support during phase 5 and the final acceptability testing.

The acceptability testing, as part of our draft business plan consultation, set service levels for the slower plan at the lower end of customer willingness to pay and the faster plan at the upper end. As the suggested plan was set at our proposed willingness to pay levels, we adjusted our final willingness to pay to reflect the results of this consultation acceptability testing.

We concluded that our final acceptability testing should test customer support for the suggested plan at a lower cost, as well as the other specific conclusions[146]. We also decided that we should test the impact of the lower service levels where the slower plan for a service area was preferred (i.e. above 50% for that area). In this way, we determined that we would get a full picture of customer service and bill levels from the wide range of our research.

10.3. Individual performance commitments

Performance commitments, outcomes and incentives have been created with all of our customer insight as a consideration. We have demonstrated how the research has been used for each measure within chapter **C3 - Delivering Outcomes for Customers.**

10.4. Outcomes

As we concluded part four of the research we reflected on the outcomes in the draft business plan. Our research allowed us to make the following conclusions for the final plan:

- For there to be no change to excellent customer experiences; and
- For there to be further research regarding the interventions and initiatives for the community initiatives customers were not clear what was proposed. This will happen in Phase 5 and the acceptability testing will consider the specific customer support for the community initiatives, as well as how scrutiny and transparency can be achieved on an ongoing basis.

[146] B30a: Draft business plan Customer consultation conclusions and next steps

11. Phase 5: Refining and acceptability June to August 2018

11.1. What we aimed to achieve

The final phase of our engagement activity was to test the final business plan agreed by our board with a large group of customers to confirm that we had heard and understood their views. We also identified a small number of areas where additional evidence would help us to refine the plan in line with customers' views. We aimed to reach a point, by early August, whereby we were confident that our plan for 2020 to 2025 was robustly evidenced and balanced our customers' priorities with our regulatory obligations. We also wanted to invite our most engaged customers, our customer forum, to be involved in the production of our final submission, in recognition of the crucial role they played in developing the plan and in line with the participatory approach we took throughout. We wanted to test:

- Acceptability of our suggested plan delivered at a lower cost than proposed in the draft plan (we wanted to test this both in real terms and with inflation);
- Our earlier research suggested that support for improvements should increase as the bill level decreased;
- Acceptability of the plan with our hard to reach groups, particularly lower income and future customers;
- Acceptability of our planned improvements for water supply, customer experience and environment and local community;
- Support for and preferred levels of community investment; and
- If the plan as a whole reflects customers priorities, closing the feedback loop of customer engagement that has informed the development of the plan throughout.

11.2. What we did

Throughout July and August, we consulted with 1,479 customers on our final business plan. This consultation enabled us to ensure that our research provided robust customer evidence. We used different methods of engagement including online surveys[147&148], focus groups[149] and telephone surveys[150] as well as capturing the views of different customer segments. These different methods allowed us to test the acceptability of the plan with customers who had different levels of engagement. This is a reflection of the findings of previous phases of research that as customers learn more about Bristol Water and the business plan process their views tend to change compared to customers encountering the process for the first time with little or no prior knowledge. It was particularly important to talk to future customers and customers on a low income as these customers had the most diverse views from our draft business plan consultation.

		Type of activity							Type of data			Incidence	
Phase 5 - Refining and acceptability	Reference number	Focus groups/depth interviews	Desk study	Deliberative research	Collaboration/Co-creation workshops	Reconvened discussion forum	Community engagement	Quant/Qual survey	Qualitative	Quantitative	Valuation	BAU - ongoing/regular engagement	One-off
Customer Forum	A3					X			X			X	
Acceptability testing	B31							X		X			X
Future of the water sector	B32	X						X	X	X			X
Final business plan consultation - representative survey	B33							X	X	X			X
Final business plan consultation - focus groups with seldom heard customers	B34	X						X	X	X			X
Final business pan consultation - open consultation	B35						X	X	X	X			X

Table 11 Activities during phase 5

[147] B31: Acceptability testing
[148] B32: Future of the water sector
[149] B34: Final business plan consultation – focus groups with seldom heard customers
[150] B33: Final business plan consultation – representative survey

	Provider	Method	Reference	Number of customers
Face to face discussions	Accent	Focus groups	B32	40
	Traverse	Focus groups with: • Future customers • Low income • Control group	B34	32
Face to face discussion with engaged customers	Bristol Water	Customer Forum	A3d	24
Surveys with new customers who have not previously been engaged with our plans	ICS	Online survey	B31	304
	Accent	Online survey	B32	400
	Traverse	Telephone survey	B33	679
Total	**1,479**			

Table 12 Summary of participation levels at phase 5

We asked customers about:

- Our bill level (with and without inflation);
- Acceptability of our planned improvements;
- Community initiatives; and
- Acceptability of the business plan as a whole.

11.3. What we found out

Overall the majority of customers accept our final business plan, with very few customers saying that it is unacceptable. Customers were pleased to see that the bill is reducing in real terms, although have concerns about levels of inflation over the period.

Generally, customers were more accepting of our plans when we spoke to them face to face rather than through the online and telephone surveys. Our most engaged customers from the customer forum had a higher level of acceptability and were pleased to see that their views from previous sessions had been taken into account for the final plan[151]. This is consistent with our previous findings and our participation strategy (see figure 6 participation pyramid) which tells us that our least engaged customers only interact with us through bill paying, and often prioritise bill level when asked, while our more engaged customers tend to have a broader view of the role of Bristol Water and support our wider ambitions beyond water supply issues. For acceptability surveys, our on-line customers had more

[151] A3d: customer Forum August 2018

information and therefore there were fewer responses of don't know or neutral than with a telephone survey[152].

11.4. Bill levels and profiles

We wanted to understand how acceptable the proposed bill level is with and without inflation, and where customers were able to see the profile of the bill over the 5-year period of the business plan.

Overall the majority of customers in each research setting accepted the bill level without inflation and were pleased to see a reduction in the 2020-2025 bill level. We found that levels of acceptability were highest with our most engaged customers, the customer forum and in the focus groups and lowest in the telephone survey. We gave customers in the telephone survey the opportunity to record a neutral response, reflecting previous experience that some customers simply did not have a strong opinion. Looking at customers who found the bill level unacceptable we found similar levels in each of the two surveys with between 3% and 6% of customers saying the bill was unacceptable to some degree. For comparison in the online survey carried out by Accent where around 39% of customers felt the cost of water generally was too high.

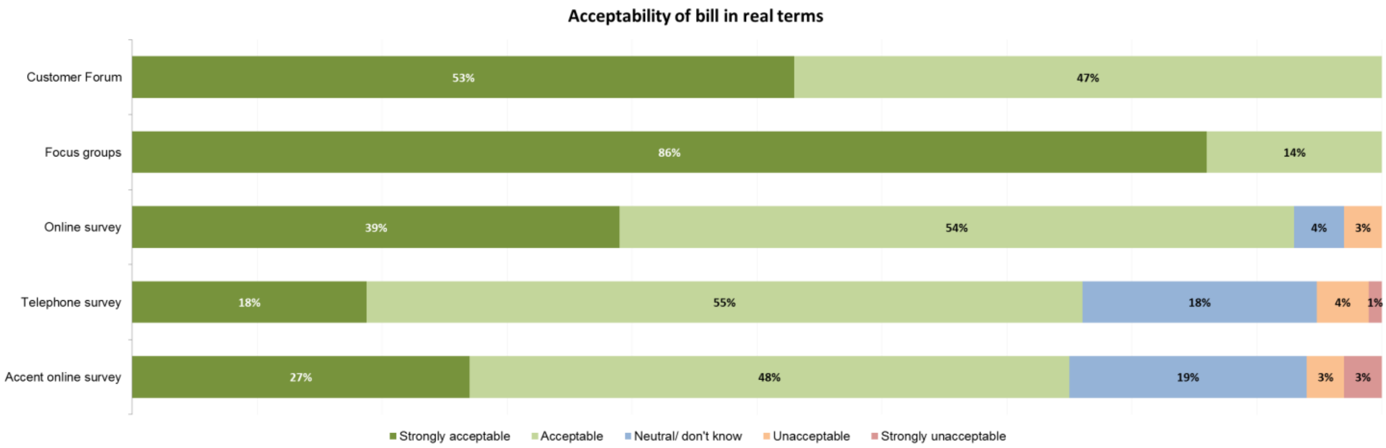


Figure 24 Summary of Acceptability Research (B34a)

Customer forum n=24, Focus groups n=32, online survey n=400, telephone survey n=679, Accent online survey n=304

Customers in the focus groups who felt the bill was acceptable often said they were pleased with the reduction, although some felt the reduction was small enough that it might not be noticed without information from Bristol Water. Focus group customers also wanted to know more about how improvements would be delivered while bills also came down, and some were initially sceptical that this could be achieved. In the focus group with low income customers some commented that bills already felt too high, and so supported the reduction[153]. Focus groups carried out by Accent found similar views

[152] B32: Acceptability testing, B33: Future of the water sector
[153] B34a: Final business plan consultation – focus groups with seldom heard customers

with most of the 40 customers involved scoring the plan 8 or 9 out of 10 for acceptability, with some surprise at the proposals to deliver improved services at a lower cost[154].

When we asked customers about the acceptability of the bill taking into account inflation we found that some of our customers felt the bill was less acceptable. The less information we provided to customers about inflation and how it affects costs the less likely they were to accept the bill level, and particularly in the face to face events customers were keen to ask questions about inflation and clarify that the rate being used was consistent with other prices. Some also asked about whether wages would keep pace with this level of inflation, and one focus group participant felt the bill was unacceptable if it tracked consumer price inflation (CPIH) rather than wages.

The online and telephone surveys allowed us to analyse the results by customer segment. As with previous research, we found that the plan was most commonly acceptable to the higher income segments (Comfortable Families in particular) and least acceptable to Social Renters, with this pattern repeated across the bill with and without inflation. However, even for Social Renters, when considering the bill with inflation, a minority of customers disagreed that the plan was acceptable but many more were unsure[155].

Comparing this research with our draft business plan consultation, where over half of social renters preferred the slower plan it seems that the final plan is more acceptable but we still have work to do to make sure bills are affordable to all our customers and that the support we offer is more widely known.

In our online survey we asked customers for their views on how much of their bill should be variable based on performance. Most customers favoured bills with small levels of variability (a range of c£4). We also asked whether customers would prefer penalties/rewards to be applied during the period 2020/25, resulting in small annual bill changes, or added at the end, resulting in a larger change. Customers across all segments strongly preferred small annual changes, with a minimum of 70% of customers choosing this option in each segment.

[154] B32: Future of the water sector
[155] B31: Acceptability testing , B33: Final business plan consultation – representative survey

Spotlight on: Transparency

At the beginning of the process we committed to being transparent with customers during all of our engagement and ongoing activities. We wanted to be honest and upfront in all of our engagement to generate trust and encourage open discussion. As set out by our commitments on page 10 we wanted to ensure that we provide clear communication about why customers are being engaged, who by and how their views will be used and did this through:

- Providing information on current performance
- Setting the context through comparative info
- Two way transparent dialogue

We ensured that customers had enough information about a subject in order to make meaningful and genuine choices. At all of our events and surveys we ensured that customers fully understood our current performance and provided comparative information on how we perform compared to the rest of the industry. We did this by drawing on information from Discover Water where possible, for example Figure 25 was used at the start of our deliberative resilience workshops as part of the discovery session.

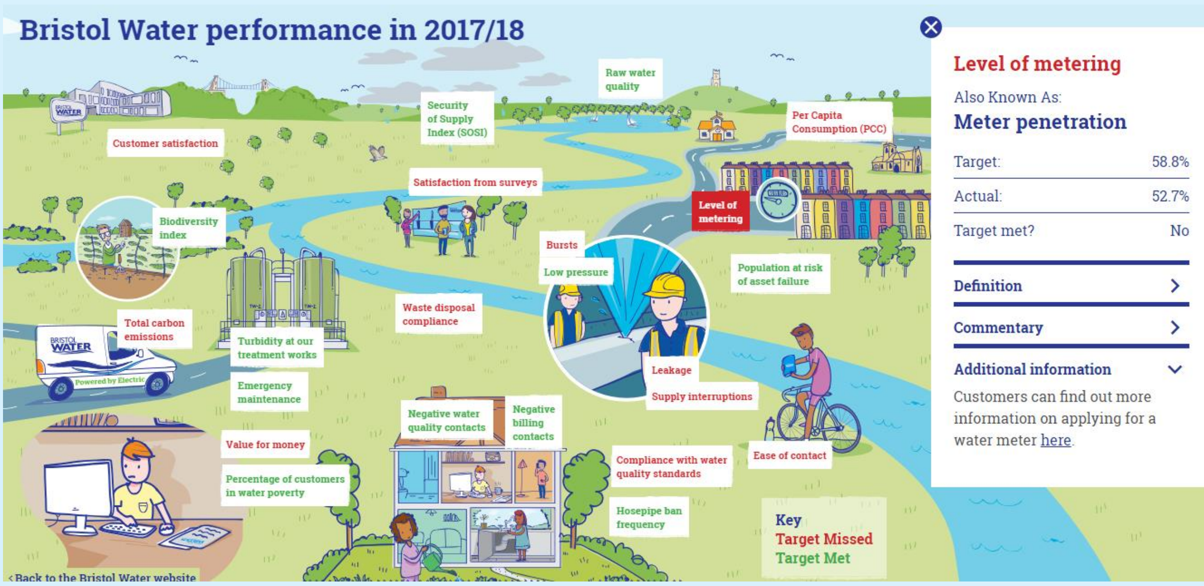
BRISTOL WATER

How do we compare with our neighbours?

	Bristol	Wessex	Severn Trent	Thames	UK Average
Leakage (litres per property per day)	84	112	123	171	121
Meters (2016-2017 data)	48%	61%	43%	37%	44% (2015 data)
Customer satisfaction	86%	88%	84%	77%	84%
Average bill (for water supply)	£185	£245	£180	£203	£189

Figure 25 - Comparative information provided at our deliberative resilience workshops

At our Customer Forum in July 2018[156], we presented information on our current level of performance through our new interactive performance map.



156 A3: Customer Forum August 2018

Our key shareholder, representing iCON, also attended the Customer Forum in addition to our CEO, three members of our executive team and three of extended leadership team. Based on feedback from previous sessions. we allowed for 30 minutes at the end of the activities for an informal Q&A whereby customers had the chance to ask questions and receive honest and unprompted responses. The feedback we received from doing this was hugely positive.

"Very pleased to see that feedback from previous session has been taken into consideration. E.g. - size of the group was very reasonable and allowed for information discussion. Thank you to all involved in organising this."

11.5. Acceptability of planned improvements

We presented our performance commitments for each of the three areas and asked our customers to what extent they agreed with the proposed changes, with varying levels of detail in each method. In the telephone survey and focus groups we asked customers for their views on each of the three service improvement areas (customer service, water supply, environment and community). Over 70% of customers agreed with each option, and less than 5% disagreed, with the remainder expressing a neutral view or saying they didn't know[157].

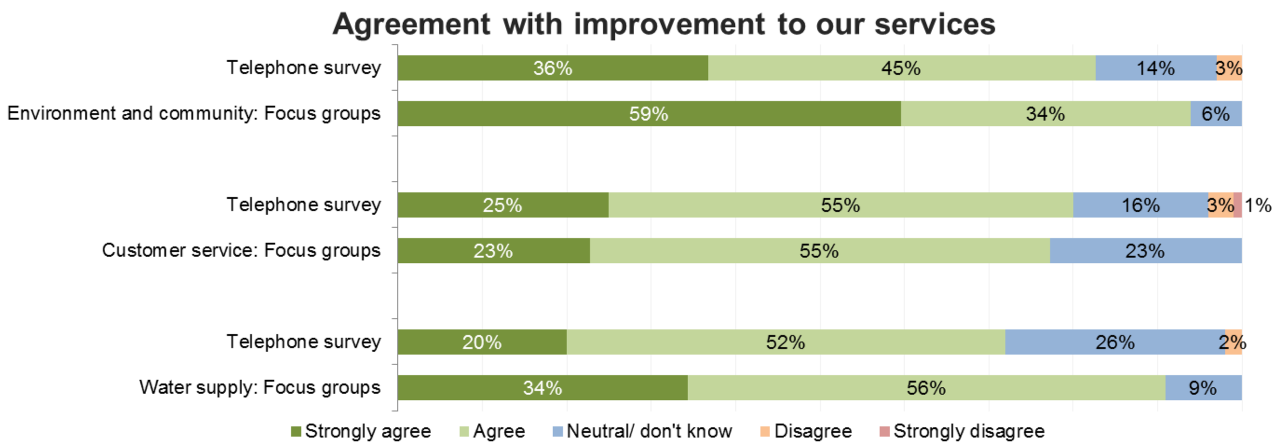


Figure 26 Summary of B31 - B34 Final business plan consultation

Focus groups n=32, telephone survey n=679

We found that customers were more strongly supportive of the water supply and environment and community issues in the focus groups, reflecting our previous findings that when customers have more information they tend to be more supportive. Conversely, we have found that as our customers are more engaged they tend to prioritise customer service less, in this case the proportions are very similar across the focus groups and telephone survey. None of the focus group participants disagreed with the service areas, often being reassured after they had the opportunity to ask questions. In our online survey we were able to ask about each of the performance commitments in turn, and as shown in the

[157] Total percentages are rounded to the nearest whole number

chart below a majority of customers supported each proposal, and for those where fewer customers said it was acceptable this was because they recorded that they were unsure, with no more than 6% expressing disagreement with any of the performance commitments.

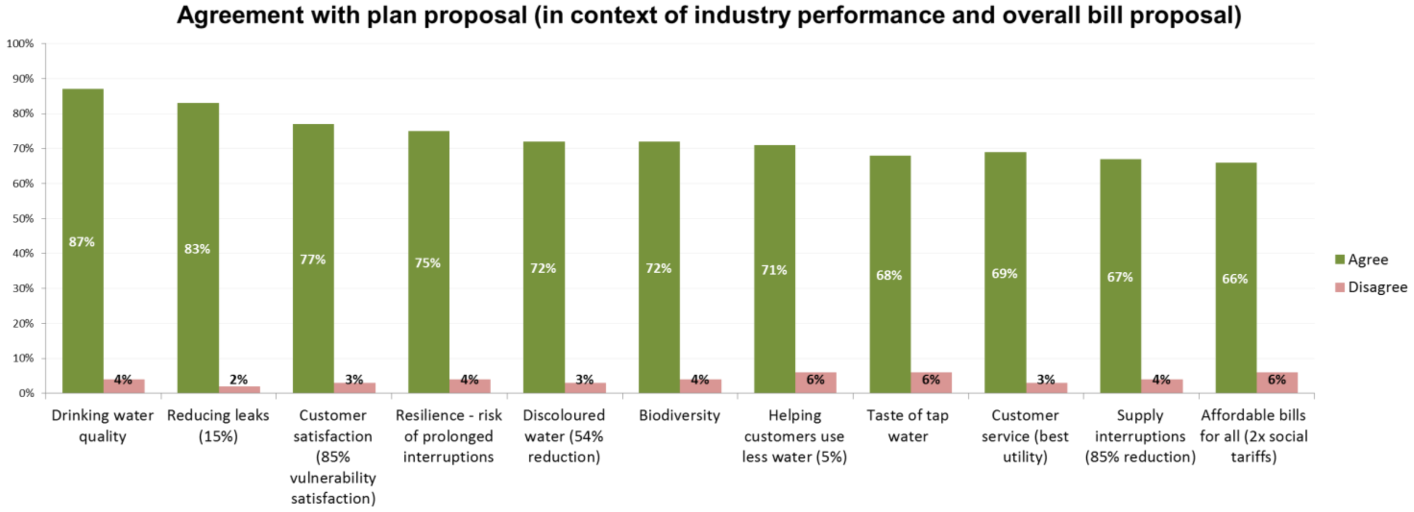


Figure 27 B31. Acceptability testing survey

Online survey n=304

Is there a different level of service that is preferred at a different price?

We tested via our online survey whether customers would prefer our slower plan in return for a lower bill, in this period. Slower progress in this period, particularly for supply interruptions and resilience investment, would then potentially see the bill return to forecast levels and a larger increase in 2026. Deferring improvements for a £4 lower bill each year was not attractive to most customers. This ranged from 66% for the social rented segment to 92% for comfortable families, which shows broad support for our bill and service mix compared to alternative plans even amongst those most likely to have affordability concerns.

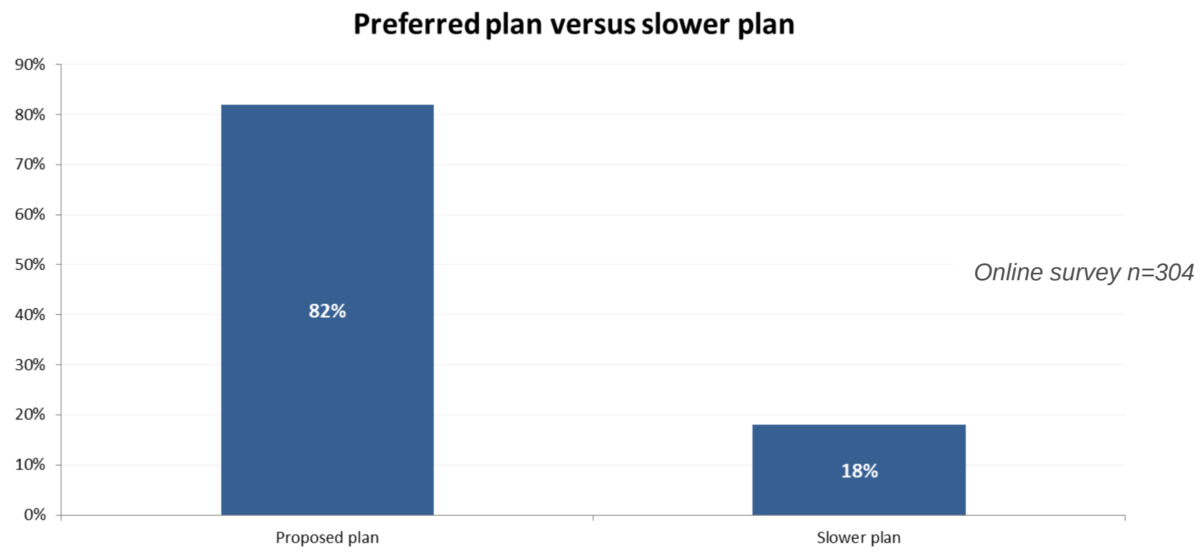


Figure 28 B31. Acceptability testing survey

11.6. Customer service

In both the online and telephone surveys we found that around 80% of our customers agreed with our planned improvements for customer service. In our online survey we were able to ask customers about each of the three performance commitments separately, as shown below we found that over 90% of customers surveyed agreed with each one. Qualitative feedback from our focus groups and customer survey told us that we need to better communicate the support we offer to customers in vulnerable circumstances. Our Customer Forum strongly support our work with vulnerable customers but question whether improving customers service should be something that requires additional customer investment.

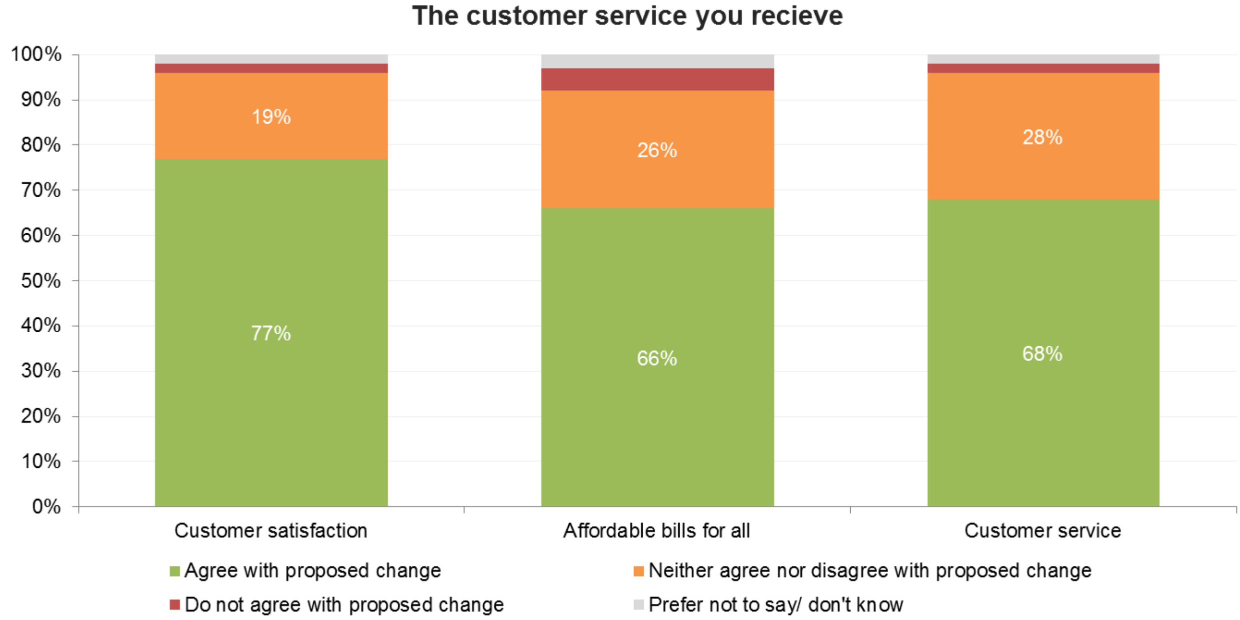


Figure 29 B31. Acceptability testing survey

Online survey n=304

Comparing our customer segments, we find that in our telephone survey the strongest support for our customer service proposals comes from our social and young urban renters. We also found that customers in our low income focus group were more supportive of these improvements, particularly the support for vulnerable customers, compared with the future customers group who had more questions about the social tariffs and how they would affect other customers' bills.

11.7. Water supply

When we asked customers in our telephone survey about our planned improvements to water supply we found that around 72% agreed, with 26% neutral or unsure and only 2% disagreed. In the focus groups where customers had more opportunity to ask questions and explore the requirements for water supply improvements 91% of customers agreed. In our online survey we were able to look at each of the five performance commitments separately, and as with customer service over 90% of customers agreed with each commitment. When we look at the results of the online survey by customer segment we find that the water supply improvements were most strongly supported by thirsty empty nesters.

Qualitative feedback from the focus groups was consistent with our earlier research; customers commented that as they had not experienced interruptions or quality issues personally they found it hard to gauge their priority. Customers took the opportunity to ask questions about the targets and they emphasised the importance of transparency about whether they are being met and why particular levels were chosen. Customers who were neutral about the proposals in this area argued that they had not experienced issues and questioned whether too much emphasis was being placed on complaints by a few customers. To put this in context in the online survey of 400 customers carried out by accent some 80% of customers said they rarely experienced problems with their water supply.

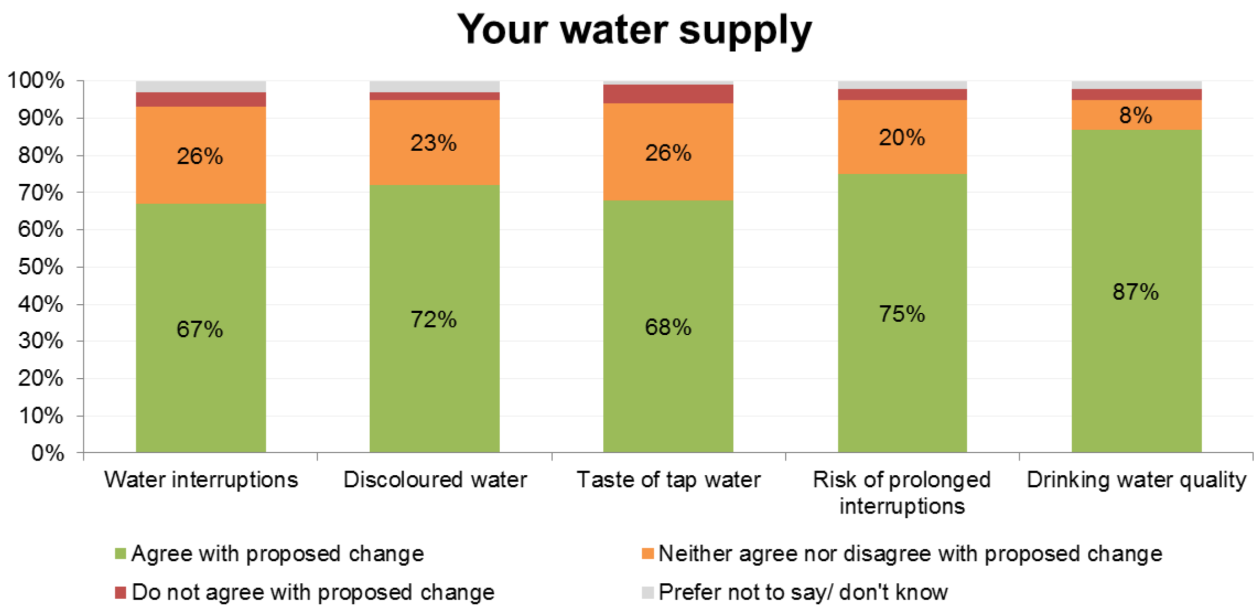


Figure 30 B31. Acceptability testing survey

Online survey n=304

11.8. Environment and community

82% of customers from the telephone survey agreed with our planned improvements to the environment and local community (only 4% disagreed) and 94% of focus group participants agreed. In our online survey we found that customers were most strongly supportive of the ambition to reduce leakage, although again over 90% of customers supported each commitment. When we look at our telephone survey data by customer segment we find that support levels are consistent across the different segments.

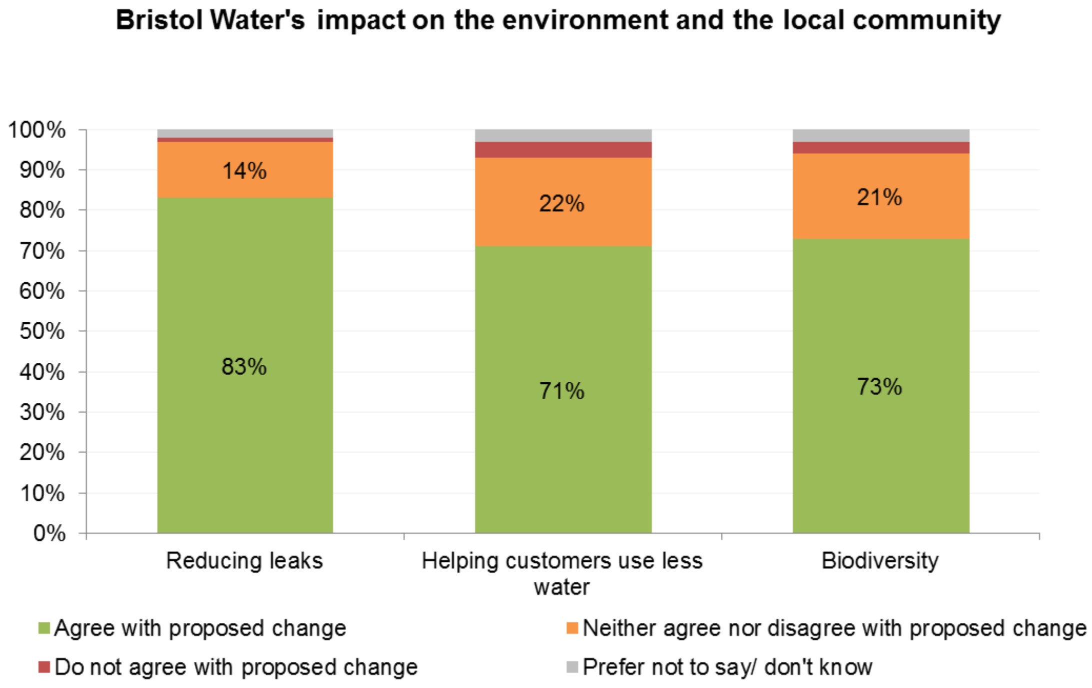


Figure 31 B31 Acceptability testing survey

Online survey n=304

Customers in the focus groups had broadly positive comments about these commitments, and about the community initiatives discussed below, and made many helpful suggestions about other possible initiatives for behaviour change for water efficiency. As in other forums we found that some customers were surprised by the levels of leakage and supportive of efforts to reduce perceived waste. Some were more sceptical about whether these measures would lead to further bill increases or questioned how Bristol Water could evidence that they were achieving these targets. A minority of customers argued against a target for reducing water use, suggesting that it was not the role of the water company to regulate individual behaviour.

11.9. Preferred levels of community investment

We asked customers in each of the four research activities whether they would support investment in initiatives that benefit the local environment and community. We specifically tested whether customers were comfortable with a sharing mechanism that increased or reduced bills in line with the company's performance, measured by the satisfaction of local stakeholders with the initiatives.

In the online and telephone surveys we found that around 75% of customers supported some level of investment, with slightly higher support for the £5 level in the online survey but also slightly higher number of customers who preferred no investment. All participants in the focus groups reported that they were happy with investment; with an even split between the £2 and £5 levels. This was consistent with the customer forum were most customers were happy with some level of investment, however in both forum and focus groups customers emphasised the importance of accountability and Bristol Water reporting transparently on these measures.

Qualitative feedback across the focus groups told us that customers who supported the £2 level saw this as a good balance of cost, while £5 was too much to invest without better evidence of impact. Those who chose the £5 level also tended to reference good value, saying that they felt this level was acceptable to them personally. Analysis by segment in the telephone survey supported our understanding that personal financial circumstances do influence customer support for investment with lower levels of support among social renters and highest support for the £5 level from customers in the safely affluent segment, the pattern between groups was similar in the online survey, although not statistically significant. Focus groups carried out by Accent gave similar findings with most of the 40 customers involved saying they would be willing to contribute £2 or £5 to community initiatives in the context of an overall bill reduction, and support for customers being involved in the choice of initiatives. In the online survey carried out by Accent the £2 level was supported by 74% of customers, and the £5 level by 47%, slightly higher levels of acceptability than in other methods.

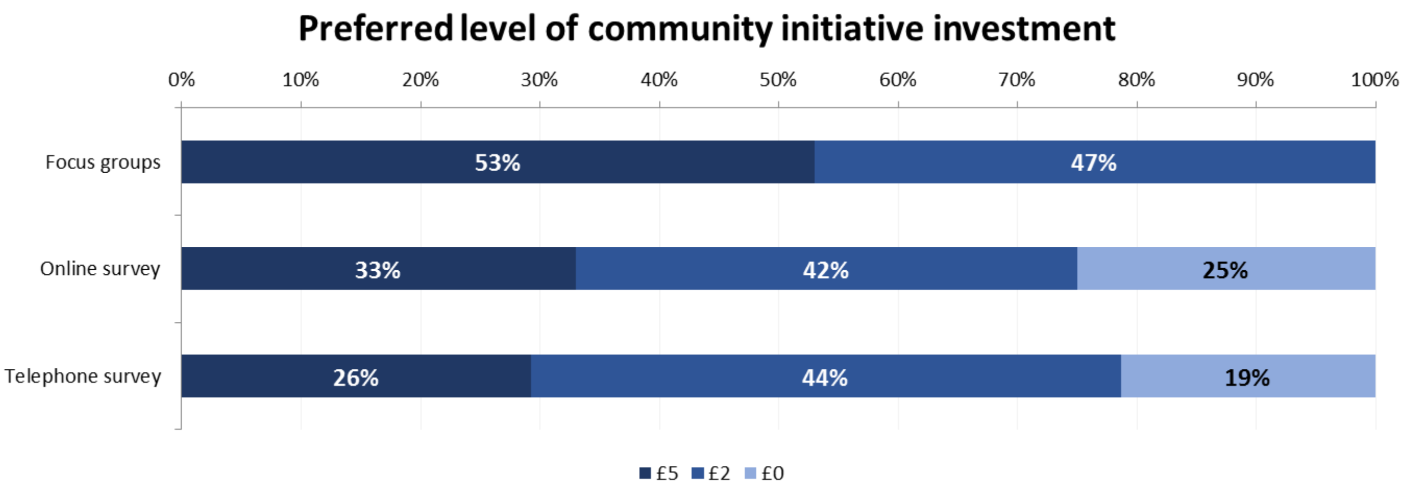


Figure 32 Summary of B33 Final business plan consultation - representative survey and B34 Final business plan consultation - focus groups with seldom heard customers:

Focus groups n=32, online survey n=400, telephone survey n=679

Qualitative feedback from the focus groups told us that customers were supportive of measures that were tangible and had clear outcomes. In our earlier research, we found that customers were cautious about general community commitments and the more specific versions included in our final plan seem to be more acceptable to customers. We asked focus group participants for feedback on six examples of initiatives covered under this commitment; we found that customers were more supportive of programmes to reduce traffic congestion, single use plastic and water efficiency. There was less support for biodiversity initiatives and improved access to reservoirs, particularly in the low income focus group – although the majority of customers in each group supported each imitative discussed. There were some mixed views on lead pipe replacement in schools, from customers who felt this should be a national programme and not down to Bristol Water.

11.10. Company specific adjustment

Our earlier research told us that customers do value elements of our service which are specific to us as a small local water company but we wanted to confirm this quantitatively in relation to our final plan. In our online survey we asked a series of questions about the value customers place on us as a small company, explaining that the additional cost of borrowing as a small company adds around £3 per year to the average bill, while lower operating costs and leakage reduce bills by around £4.50 per year. In response to this we found that:

- 6% of customers would prefer another supplier to take over Bristol Water regardless of cost;
- 40% of customers would prefer Bristol Water to stay as their supplier as long as the higher cost of borrowing is lower than the benefits;
- 38% of customers would prefer Bristol Water to stay as their supplier even if the higher cost of borrowing was not offset; and
- 15% weren't sure.

The Accent online survey of 400 customers found very similar levels of support for the different options, supporting this finding.

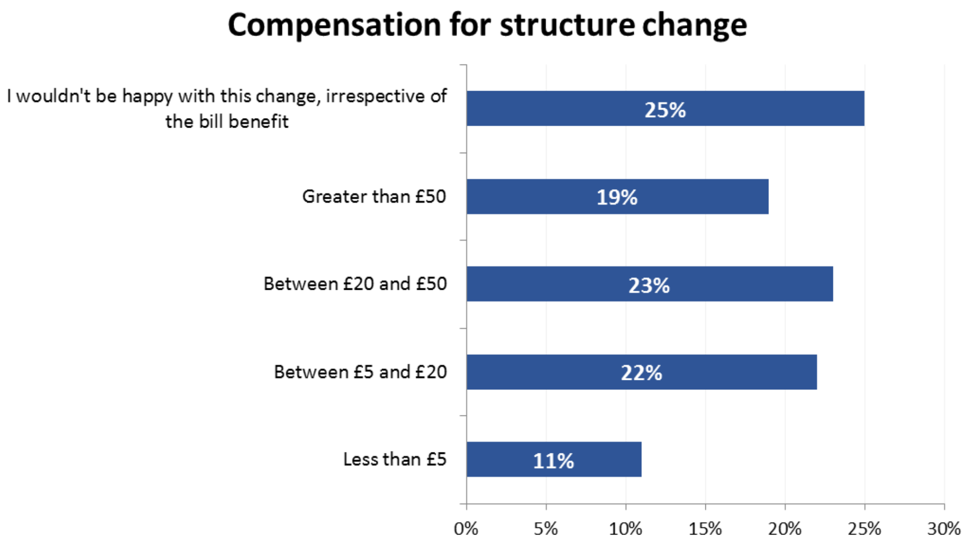


Figure 33 B31 Acceptability testing survey

Online survey n=304

When we asked our customers what level of bill reduction they would expect in the event that Bristol Water was taken over by a larger supplier, we found mixed views. Customers were evenly split between different levels of bill change and 25% who wouldn't be happy with the change regardless of the bill impact. In the focus groups carried out by Accent, our customers had similar views, with most saying they would prefer Bristol Water to stay as a small independent company even if the alternative was a slightly lower bill. This view was largely explained by customers as reflecting the current high levels of service they see Bristol Water delivering.

We then asked customers in the online survey about our proposed sharing mechanism, Bristol Water For All, which would see up to £3 returned to customers, half if service levels were not met and half if borrowing costs are lower than expected. We found that:

- 53% of customers would support the additional £3 cost of borrowing only if the sharing mechanism was in place;
- 17% would support the additional £3 regardless of the sharing mechanism;
- 12% would not support the additional £3 in any case; and
- 19% of customers weren't sure[158].

Customers were most supportive of a sharing mechanism based on lower borrowing costs, with a link to community initiatives coming second, and a link to the UK Customer Service Institute score least favoured. In focus groups carried out by Accent, there was a more muted response with some customers questioning whether small levels of refund were worthwhile and some support for reinvestment rather than returning to customers[159].

11.11. Trust and perceptions of Bristol Water

In focus groups carried out by Accent, as part of a wider industry research programme, we asked customers about their perceptions of Bristol Water and their levels of trust in us as a company. We found that customer perceptions of us were often based on a lack of negative experiences, rather than positive ones, and this informed their trust in us, characterised as 'no reason not to'. This reflects our other research which tells us that the majority of our customers don't think of us much beyond their bill, which often correlates to an initial preference for customer service improvements (which are visible) versus improving our supply interruptions or wider community and environmental impacts which are unknown.

11.12. Is the plan reflective of customer preferences?

The key test for our customer engagement programme is a final business plan that reflects our customers' priorities, demonstrating that we have heard what our customers have told us and acted on it. We asked our focus groups, telephone survey and customer forum whether they felt our plan reflected their priorities as customers. In our telephone survey, customers who we had not previously engaged, just 4% of customers told us that the plan didn't reflect their priorities although as expected around a third of customers weren't sure, or felt neutral about the question[159]. Focus group participants were more positive still, with no customer disagreeing.

[158] Total percentages are rounded to the nearest whole number
[159] B33: Future of the water sector

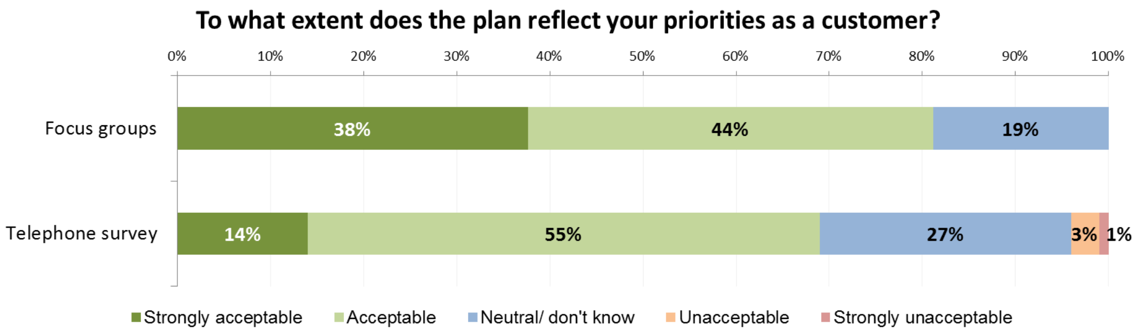


Figure 34 Summary of B33 Final business plan consultation - representative survey and B34 Final business plan consultation - focus groups with seldom heard customers:

Online survey n=304

We did not ask our Customer Forum a closed question on this issue, but we had animated discussions with them about how the plan had developed throughout the year we had worked together. Our customer forum continues to challenge us to justify our investment in service improvements across the areas they see as already good (such as like water quality and customer service), and some would like to see us go further on issues like water efficiency[160]. This continued challenge provides us with confidence that our engagement is genuine and that our customer forum has been empowered to push us to develop a plan that is stretching and value for money. In their own words here is what they told us about whether we had heard them.

Figure 35 Comments from A3d Customer Forum August 2018

[160] A3d: Customer Forum August 2018

12. How the research influenced our final business plan

The level of support for our plan expressed by our customers, both those we have engaged with over a period of time and those we met for the first time, gives us confidence that our final business plan strikes the right balance of delivering service improvements that customers value at a price that is acceptable to the majority. We do not underestimate the challenge of serving all our customers, including those in vulnerable circumstances for whom affordability is a challenge. Our customers support our ambition to deliver higher levels of social tariffs, and to address water poverty, and our vulnerable customer strategy sets out how we will make our support available to more customers.

Our customers have told us that we need to deliver improvements to levels of supply interruptions and incidences of poor taste and odour efficiently to keep bills low. A steady bill level without sudden changes is another priority for customers, and we have developed an approach to ODIs that balances customer support for annual incentives with their views on bill variability. We have also developed sharing mechanisms that underpin customer views on customer excellence and community initiatives for wellbeing and the environment that includes transparency of what we deliver against our ambitions as an integral part of how we deliver our plan. We have learned from our engagement with customers about how to communicate our ambitions to support the community and environment in ways that are meaningful to them, and determined a price level that is acceptable even to our vulnerable customers. A central pillar of our strategy for the next five years is to continue to deliver an excellent service for customers while developing our relationship beyond service to support our wider goals of resource efficiency, environmental improvements and community benefit. Our research tells us that many customers opinion of us is based on a lack of negative experiences rather than positive ones, and changing this perception is important to building trust in the company and our plans.

Our approach to segmentation has enabled us to better understand the different priorities of the full range of our customer base and our communications in future will reflect this. Our Customer Forum in particular have shown us the value of sharing our challenges and ambitions with customers, as well as our plans and proposals, and this commitment to participation will underpin the culture of engagement which is required to deliver our business plan.

13. The governance of our customer engagement

13.1. Assurance

Our customer engagement programme has been subject to regular and rigorous review conducted throughout the PR19 process. The assurance has sought to ensure high quality customer engagement and participation (in line with Ofwat's principles of good engagement) and to ensure that it is incorporated into the Company's business plan and ongoing business activities. Our assurance processes allow us to feel confident that we have met Ofwat's principle:

It is the company's responsibility to engage with customers and to demonstrate that they have done it well.

Our governance approach included three levels of defence:

1. **Customer work package** – As the key driving force behind the delivery of the customer engagement programme, the work package provides day-to-day assurance on all engagement activities. As well as internal customer engagement expertise, the work package includes support from our strategic partners to offer expert advice in their specialist field.
2. **Internal challenge and review** – The group is the key decision making body for the Customer Engagement programme. It includes key members of the Executive and representatives from all the PR19 work packages to act as ambassadors for the customer engagement. To support the delivery of engagement activities and ensure the engagement and research is fit for purpose, we hold quarterly review sessions to assess progress and present results to key research owners across the business. The challenge and review sessions feed into the PR19 Programme to ensure that the approach continues to meet the needs of the Programme and that the customer engagement feeds into Board level decision making.
3. **External consultancy** (where required) – We have commissioned external peer review for areas where questions or uncertainty have been identified by the first and second lines of defence. For example, we commissioned an independent academic peer review of our Willingness to Pay stage 1 research due to questions raised around the new and innovative methodological approach.

13.2. Bristol Water Challenge Panel (BWCP – our Customer Challenge Group)

The BWCP challenge our performance, and continue to play an ongoing role in making sure we meet the promises we have made in our plan. For PR19, they had a formal role to provide an independent perspective to Ofwat on the quality of our customer engagement and research, and how this had influenced the performance commitments and outcome incentives in our plan.

As interested and expert stakeholders, the CCG are well placed to consider the evidence of customers' views and how we have acted on them. Since their formation in November 2015 we have held 14 full meetings. We have also established three subgroups on customer engagement, customer assurance and environment which act as working groups where members have the opportunity to take a deeper dive into some of the issues. Members of the customer engagement sub-group play a more active role in ensuring the quality of the customer engagement and meet quarterly, following internal challenge and review sessions, and then report back to the main CCG on the process and implementation of the engagement programme. We have held 12 customer engagement sub-groups since January 2017. Members of the sub-group have also attended engagement events where they have had the opportunity observe first-hand the discussion with customers and provide challenge where necessary.

During the PR19 process, the group have provided robust challenge on our engagement plans as well as the outputs. There have been 635 challenges of which 25% have led to changes being made (Figure 36).

Figure 36 - Results and impact of our work with the Bristol Water Challenge Panel

Spotlight on: BWCP challenges

Our ambition

The BWCP challenge extended beyond the five year plan. They challenged us on how we could present our long-term ambition in a clear way, which helped us to develop the "summary of our future ambition" as well as the interactive performance graphic we have used for 2017/18 annual reporting and the 2020-25 version published with our plan. Their engagement has also resulted in a better link to the environment – we changed our "local community resilience" to "local community and environmental resilience" as a result of their challenges. This reshaped our final plan engagement on the long-term issues and challenges we want to address. Finally, our corporate governance was challenged. Bristol Water is on a journey, with extensive Board and management changes, as well as a very different approach to business planning since PR14. For the BWCP this was not sufficient – we had to provide them with confidence of what was driving our shareholders and executives, so they could be clear that our vision of "trust beyond water" went beyond planning, but genuinely would address wellbeing for society as a whole. The transparency and scrutiny of our delivery, arising from this dialogue, is set out in our plan, recognising that we are not at the end of our transformation to meet our ambitions yet.

The Environment - The Challenge Panel has prompted us to think harder about how we engage customers in conversations about environmental impacts and opportunities. We have taken a number of actions as a result of this challenge:

- Produced a paper to give the panel a clearer picture of our plans for engagement in this area;
- Revised research material to better represent environmental issues;
- Delivered an environmental stakeholder workshop; and
- Included questions in our online panel around lakeside recreation and drought.

Consultation Responses - The panel has challenged us to be more ambitious with the level of customer response we receive to our plans and challenged us to raise the profile of our consultations.

As a result we received:

- 34 customer responses to our Drought Plan consultation (up from 5 in 2011);
- 275 customer responses to our Water Resource Management Plan consultation (up from 5 in 2013); and
- 4,056 customer responses to our draft business plan consultation (up from 804 in 2013).

WRMP Deliberative Events -The BWCP provided comments on the research material before the events which led to the inclusion of a new 'top trump' card on the environment. A member of the panel also attended the first research event and provided feedback which resulted in revisions to the materials in order to better represent environmental issues.

Sensitivity testing - Following engagement with the BWCP on our triangulation methodology and the results, the group requested further assurance that the methodology was robust. As a result we commissioned further customer research (the NERA acceptability research into bill options) to test the sensitivity of the resultant central valuations[161].

[161] B27: Sensitivity testing

13.3. Our evaluation approach

Our evaluation framework draws on Ofwat's principles for good customer engagement (21) and has been used to guide the design of evaluation tools, such as questionnaires, and the selection of performance indicators against which to assess the quality, effectiveness and impact of engagement activities.

To understand how well any engagement or research activity is delivered, we measured:

- The views of participants after the activity to understand whether our customers feel that we are meeting the principles we have set out;
- The views of our employees and the BWCP, when they take part in or contribute to the development of an activity.

13.4. Measuring the quality of engagement

Our customers' engagement experience

In total 657 customers provided feedback on engagement events. These include:

- 111 customers from three customer forum events;
- 34 developers or SLPs from our two market engagement days;
- 27 customers from focus groups on customer priories;
- 111 customers from three customer research events discussing the resilience and sustainability of the water supply;
- 29 customers from focus groups on performance commitments;
- 18 stakeholders from an environmental resilience workshop;
- 38 customers from our company financing and bill impacts deliberative event;
- 112 customers from three customer research events related to the Water Resource Management Plan (WRMP);
- 19 future customers from our Youth Board;
- 38 customers from our deliberative event on business plan options;
- 24 seldom heard customers from business plan options focus groups; and
- 96 customers from our Customer Summit.

Of those customers who provided feedback, 97% said they agree or strongly agree that they were satisfied with the event they attended and 94% said they agree or strongly agree that they would like to participate in a similar event in the future (see Figure 37). They were least likely to support the statement 'I am likely to look for information on this topic in the future' but 86% nonetheless said they would agree or strongly agree with this. 123 customers provided their own comments on the events. Most of these additional comments were positive, with some raising criticisms or suggestions as to how the events could be improved.

"I am impressed that Bristol Water Board take great importance on their customers view on how water is serviced to us." – Customer at Deliberative event on environmental resilience

"Very interesting, will leave here with a better understanding about the water from my tap" – Customer at deliberative event on company financing

"I think today has been brilliant. I feel valued as a Bristol Water customer" -

"Well done on making what could have been a very dry day fun and enjoyable"

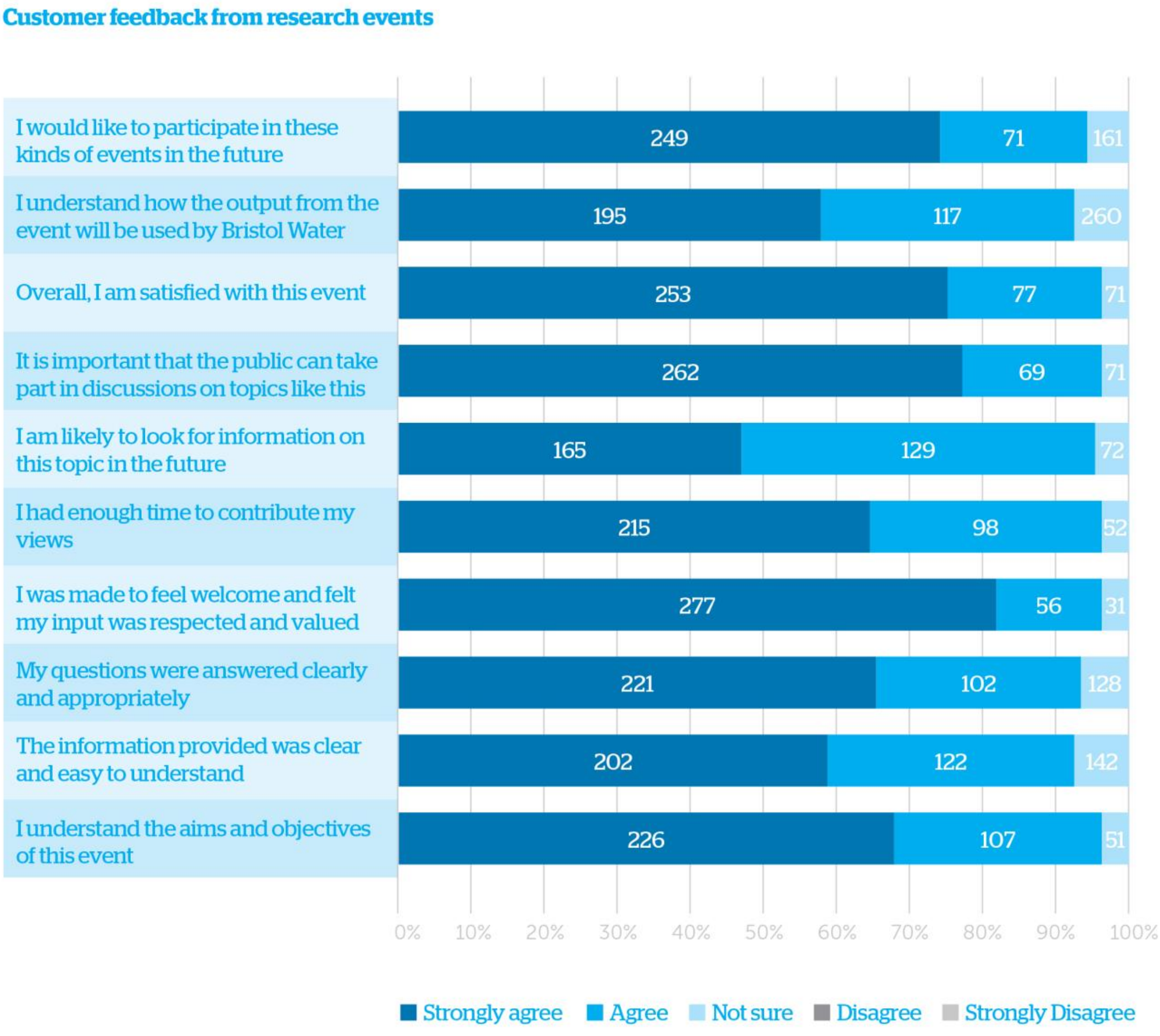


Figure 37 - Summary of customer feedback from research events

Customers often said that they found the event interesting or that they felt they had learned something. One customer from the WRMP research event said that "the day was much more interesting and engaging that I thought it would be" whilst another from the event discussing bill levels and service packages said "I can now go away feeling like I know what my monthly bill goes towards". A customer from the research event discussing resilience and sustainability said that it was "well presented, interesting, and thought provoking" and that it was "a good use of my time".

Where customers raise concerns or suggestions, they often relate to the conditions in the venue (the temperature, for example) and logistics such as the catering, the audibility of speakers or the amount of time allocated to events. One customer at the WRMP research event felt that the "speaker needs a microphone and our table was positioned where we couldn't see full screen" whilst another from the event discussing bill levels and service packages would prefer "more time to do some tasks".

The event which received the fewest positive comments was the environmental resilience workshop with 18 stakeholders. Those who provided additional comments said they would like a better understanding of the agenda and purpose of the event, and that they would like to receive feedback from the session. However, all of the customers from this event agree or strongly agree that they were satisfied with the event overall.

13.5. Measuring the influence of engagement

Measuring the impact of customer engagement is more difficult than measuring how well it has gone, sometimes the impacts can be subtle, or occur a long time after the outputs are created. We needed to try and find out what was different because of the findings of the research. Key to doing this was to identify who is the right audience for the findings within Bristol.

We have measured influence by:

- Identifying an owner for each activity who is responsible for disseminating the findings to the right people;
- Interviewing the activity owner, using a set of questions designed to help them think about how the findings can influence their work. We have used this as part as an evaluation interview and part as a planning session, to support people with the tools they need.; and
- We have then interviewed the owner again after they've received the findings, usually within a few weeks, and then a follow up after 3 months to detect long term impacts.

For both interviews we have used a set of questions, as shown in Table 13.

Before
Who is the owner of the activity?
Which plan/ policy/ report is the activity linked to? (e.g. Water Resource Management Plan)?
What is the timetable for this plan?
Are you also using outputs from any other research?
Who will be the audience for the outputs?
How will you communicate the findings to them (e.g. distribute a report, organise a workshop or presentation, incorporate into modelling)?
Does the research design meet your needs (e.g. is the sample big enough, do you need qualitative or quantitative data?)?

After
Have you followed the plan described, if not, what changed?
What have you done differently as a result of the findings?
Have you discussed the findings with any other stakeholders? Are there other people who might find this research useful?
Is there any further research you think is needed?
Do you have any feedback on how the findings could be used?

Table 13 our evaluation interview questions

14. Evidencing our work

- This document provides a description of the customer engagement Bristol Water has carried out to support our business plan for 2020. There are a number of other documents which are relevant to our customer engagement;
- Our main business plan document **A1 – Bristol Water for all,** describes how we have taken into account the views expressed by our customers in setting out our plans and targets for 2020/25;
- Appendix 1 provides details of each of the engagement activities which have influenced our plan, their objectives, timings, methods, number of participants and key findings;
- Because our business plan is influenced throughout by what our customers have told us you will find references to our customers views in all our business plan supporting documents, from the investment cases for our asset works, to our financing approach; and
- A key supporting document is **C3 – Delivering Outcomes for Customers**, which gives a detailed account of how our performance commitments and targets emerged from our customer engagement.