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Future
Thinking

Outcome and Delivery Incentives in the Water Industry



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Summary





Summary of Findings

- In general domestic customers were **opposed to the proposal of penalties and rewards**.
- Business customers from smaller companies expressed views that were broadly similar to those of domestic customers.
- **Business customers from larger organisations tended to be more aware of the use of the incentives** and were generally more **receptive to the proposal**.
- Amongst domestic customers, **reaction to the £7 cut in the average household bill as a result of reduced credit charges was lukewarm**.
- When domestic customers learned about the proposed introduction of penalties and rewards, there was an initial positive reaction to the idea of penalties. However, with further discussion many who were initially positive changed their view, as they were **concerned that this payment would make it harder for the water company to put right any failure**.
- **Reaction to rewards was almost universally negative amongst domestic and small business customers**. This view was mainly driven by the fact that the service they receive is already very good and they did not need any further improvement, and therefore were unwilling to pay for it.
- **Large businesses were supportive of the proposal** and felt it would improve services
- Some customers were concerned that they could end up worse off by £4 a year if they had to pay a reward, even taking into account the £7 cut in bills.

Qualitative research conducted across England and Wales

- 6 discussion groups with domestic customers
- 8 depth interviews with business customers

The sample size for this research is small; therefore findings are only indicative of customers' views. However, findings show a good degree of consistency of views among customers



Summary of Findings

- There was a degree of **cynicism over transparency**, some customers thought that water companies would carefully select the targets so that they were unlikely to have to pay a penalty and were more likely to receive a reward.
- When asked to sum up their views on the penalties and rewards proposal, **domestic and small business customers were against the proposal as it stood, but there was support from some customers for companies receiving penalties only.**
- Larger businesses **tended to see the idea of rewards and penalties as acceptable**, and they felt that it would act as a spur to improve services and would benefit them as large business customers.
- For domestic and small business customers, the maximum £22 penalty was generally seen as too small to get excited about and to get their buy-in to the proposal.
- Larger business customers were more accepting of the size of the penalty and rewards, and saw the levels to be generally appropriate.
- Most domestic and business **customers wanted to use a basket of hard and soft measures which reflect customer needs** to decide about penalties and rewards.
- Customers generally wanted to see the **penalties paid in a single payment and the rewards spread out over a five year period.**
- If the approach was imposed by Ofwat, most customers would accept the introduction of penalties, but the **introduction of rewards would be resisted.**



Background and Objectives





Background

As part of their submission of business plans, Ofwat also invited water companies to consider incentives for the delivery of outcomes in order to drive up performance and protect customers against service deterioration

→ Incentives can take three forms:

- 1) Reputational – as progress with outcome delivery will be reported publicly.
- 2) Financial penalties where company shareholders pay a 'fine' for the failure to deliver an outcome requirement.
- 3) Financial rewards where a company receives a payment for outperforming an outcome delivery target. This would be paid by customers.

→ CCWater commissioned SPA Future Thinking to carry out research to gain evidence of customers' views on penalties and rewards. The research also explores an alternative to penalties and rewards and how these are acceptable to customers.



Objectives

Research was undertaken to gain a clear insight into domestic and business, customers perceptions of the proposed penalties and incentives scheme

Business Objectives

- To ensure that CCWater is properly representing customer views on the principle of using Outcome and Delivery Incentives (ODIs).
- To complement company specific research on ODIs by establishing the context of customers views on the principles and workings of ODIs.

Research Objectives

- To understand and explore views on the regulatory model proposed by Ofwat as the context for rewards and penalties within the water industry.
- To understand what thresholds customers would recognise as being under and out performance against service levels, and what they would be indifferent to.
- To understand how customers would like under and out-performance assessed in order for it to be credible to them.
- To understand which services, package of services, of customer experience benchmarks (e.g. satisfaction with value for money, contact, service or other) are most important to benchmark under and out performance against.
- To understand what customers view as an appropriate reward or penalty – what would be acceptable for each.
- To understand what customers would like to see as the balance between penalty and reward – e.g. should there be different trigger thresholds for penalties and rewards? If so what?



Methodology





Methodology

- CCWater commissioned a qualitative programme of research to meet its objectives.
- Such an approach was favoured due to the complexity of the subject matter which would require customers to:-
 - Understand the how penalties and rewards would work
 - Assess the levels of penalties and rewards that would be acceptable to customers
 - Explore the targets that water companies should be working to
- The success of the research was dependent on customers understanding of Ofwat's proposals on penalties and rewards
 - ensuring understanding was thought to be best achieved through a discussion where participants could be guided through the process to accurately consider the subject matter.
- The research will be used to inform CCWater about customers reactions to a topic that is unfamiliar and relatively complex.



Composition

Qualitative research was undertaken across England and Wales with domestic and business customers

Domestic Customer Discussion Groups



	Water Company	Age	Social Class
South West (Exeter)	South West Water	45-64	BC1C2D
Midlands (Birmingham)	Severn Trent Water	25-44	C1C2
Northern (Leeds)	Yorkshire Water	45-64	BC1C2D
Wales (Cardiff)	Welsh Water	65+	C2DE
Western (Bath)	Wessex Water	65+	ABC1
Southern (London)	Thames Water	25-44	C1C2

Business Customer Depth Interviews



Eight depth interviews were conducted with businesses ranging in size and across different industry types. All interviews were with Southern and Welsh Water customers. Larger businesses were defined as those having 50 or more employees; medium 10-49; and small 1-9 employees.



Approach

- ➔ The format of the research with domestic and business customers followed the same structure, comprising:-
 - Introduction to Ofwat and the Price Review process
 - Introduction to the targets already set by Ofwat
 - Explanation of how the average bill is broken down
 - Introduction to the full concept of penalties and rewards
 - Explanation of alternatives to penalties and rewards
 - Exploration of acceptable targets
 - Payment of penalties and rewards



Main Findings





The business planning process

Customers quickly understood the role of Ofwat, but understanding of the price review process and the reporting of service level information was more limited

Process

- Ofwat's role in setting the price, investment and service package of water companies was quickly understood.
- However, awareness and understanding of the 5 year price review process and timetable was much more limited.
- Some customers questioned how Ofwat collect information about the service levels that the water companies are achieving, and the extent to which it is independent, accurate and verified by Ofwat.
- A minority of people expressed concern about the extent to which the water companies could be trusted to provide objective information about their service levels to Ofwat.

Price review

Both domestic and business customers were introduced to the business planning process and the role of Ofwat

“It is Ofwat's job to make sure they are offering a good service and to monitor them. That is what they are there for.’

65+, ABC1, Bath



Reaction to the price limits in 2015-2020

Customers understood the bill proposals

Process

- Customers understood the cost of credit had reduced and that as a result the cost of servicing debts for water companies would decrease.
- They were generally positive when they learned that this saving would be passed on to customers, and that the average household bill would be cut by £7 (before inflation).
- Some domestic customers were sceptical that the bills would come down.
- However, a few domestic customers, mainly older customers, were surprised to learn that water companies had debts. Some of these customers were concerned that this could threaten individual company's viability and their service to customers.
- Many domestic customers did not expect that the finance costs would make up such a large slice of the household bill (26% was the figure provided).

"I didn't know the water company had debts – that's a bit worrying. I hope the debts don't put them out of business'
25-44, C1C2, Birmingham

How can you say the bills will come down – they won't.'
65+, C2D, Cardiff



Reaction to the price limits in 2015-2020

Reaction to the scale of the average reduction of £7 per year was lukewarm.

Price limits

- The majority view was that based on the average household bill of £388 per year, the reduction was so little that it would not be noticed.
- When the average bill was presented to domestic customers, some commented that they were unaware of the size of their bill, and spontaneously mentioned that it was good value.
- However, customers from the South West region discussion group were not of this opinion. They said that their bills were the highest in England and Wales, and they were generally unhappy about their bills.
- In general customers thought that the sum was too small to be too concerned about. A few went further and said they thought the benefit was so small they wondered if it would not be better for the water companies to keep the money and use it to reduce debts.

Always nice to get money back but you never do – “eventually, whatever they do, it will be the customer who pays”
65+, C2D, Cardiff

Its 50p a month – I don't think people will notice that'
25-44, C1C2, Exeter



Reaction to penalties and rewards

The rewards and penalties scheme was not easily understood by customers

Initial reaction

- Initially many struggled to quickly understand the concept. The language of “penalties and rewards” confused some customers as they thought a penalty was something they had to pay and a reward was something they would receive.
- Older people and particularly those from middle to lower social grades often experienced the greatest level of confusion over what was meant by penalties and rewards.
- This confusion was also prevalent among small businesses
- Medium and large businesses easily understood the concept and there was a view that such schemes were integral to their business operations.
- Initial reaction to penalties was relatively positive from some customers. Getting a rebate if the company had under-performed struck many people as fair. They frequently related it to other businesses and services such as the rail industry which offered rebates to customers if they failed to achieve their targets.

Penalties & rewards

After learning that Ofwat were considering introducing financial penalties and rewards for water companies, customers were asked for their gut reaction.

‘The penalties side looks like a proper regulator at work’
45-65, BC1C2, Leeds

‘I think the penalty system is a good idea for those people who don’t complain and to make sure we are getting a good service.’
45-65, BC1C2, Leeds



Reaction to penalties and rewards

Customers' views evolved as they learnt more about rewards and penalties

Informed reaction

- As customers learnt more about rewards and penalties, some questioned whether it was really in the customers' interest to have a lower bill if a company missed its service target and had a financial penalty.
- There was a perception that the payment would make it harder for the water company to put right any failure, as it was deprived of the full amount of the bill.
- When this view was discussed other customers who had originally been positive about the payment, either became less positive or changed their opinion.
- Others were of the view that few domestic or business customers would really take much notice of the scheme.
- Reaction to rewards was almost universally negative amongst domestic and small business customers. Unlike penalties, these customers were unaware of other companies adopting reward payments which were collected from customers.
- Larger businesses were more supportive of the scheme and felt that this would lead to service improvements.

Tell them to use that money on the infrastructure rather than giving it out – it's taking it out of the company where it is more needed'.

65+, ABC1, Bath

'To be honest with you I really don't think many customers will take much interest in it, as long as they get the service that they've always got and prices don't rise an incredible amount, I don't think anyone will really care.'

Small Business - Southern



Reaction to penalties and rewards

There was a high level of cynicism over what the actual cost to the customer would be. Some customers questioned how Ofwat and CCWater could police the system to ensure that any targets were fair for customers.

Cost to customers

- Generally, domestic and small business customers did not consider the payment of a reward fair or justifiable. Reasons given for this view were:
 - The service being received is perceived as already very good and not in need any further improvement. This view was most notable among younger customers.
 - Others felt that all water companies should be striving to improve services all the time and that this should not be rewarded by an additional payment. They expected companies to tackle any deficiencies in their levels of service, and that Ofwat should only be granting them a licence to operate because they were committed to service improvement.
 - Others were in principle against making an additional payment over and above their bill. These customers noted that even with the £7 saving if the maximum payment was made they would be £4 worse off overall. Those most concerned about bills going up, tended to be customers from the lower social groups.
 - A small number were highly cynical about the approach and considered that the system would only benefit the water companies and that customers would be left to foot the bill.
 - There was a degree of cynicism around how water companies would carefully select their targets to ensure that they were unlikely to pay penalties and were much more likely to receive rewards.
 - Some domestic customers were concerned about the costs of administering the scheme.



Reaction to penalties and rewards

Customers were generally happy with current service levels and the cynicism about the scheme is in part borne out of this

'What would improvement be – you turn on the tap and Perrier water comes out.'
25-44, C1C2, Birmingham

'Why should I pay more for them delivering their service?'
45-65, BC1C2, Leeds

"Right, I understand, but the thing is customers don't have any control over this!"
Small Business - Wales

"I would be a bit miffed if I was being charged more to improve a service which I already think is very good"
65+, ABC1, Bath

'It's becoming the culture that people get a huge pat on the back for doing what they are supposed to do... No, sorry. You are only doing what you are being set up to do.'
45-65, BC1C2, Leeds

As consumers we are more astute and cynical from seeing what's happened with the banks and the energy companies and the vast amount of profits they make – and our bills keep going up and up, and we are wising up and one way or another we are going to get the short end of the stick'
45-65, BC1C2, Leeds

I think people like to have a set price. That's only my opinion but they need to know at the beginning of the year when you're budgeting how much your water is going to cost. If you think it's going to cost you £500 for the year and then at the end of the year because Welsh Water have done a better job, it's now £600, I wouldn't be very happy
Small Business - Wales



Reaction to penalties and rewards

While smaller businesses' views were more aligned to domestic customers', larger businesses tended to take a more strategic view about the scheme and drew comparisons with how their businesses operate

Cost to customers

- Larger businesses drew parallels to the types of contracts they had with other organisations which sometimes included penalties and rewards and were much accepting of the proposal to have both penalties and rewards.
- Larger businesses thought penalties and rewards would lead to service improvements and ultimately benefit business customers. They also felt comfortable that the level of rewards should be linked to the size of their bill.

'Yes. I support having some mechanism that if water companies do a good job and it's given a high level of service there should be a means of paying back something into water companies to compass for that and equally as well if a company is ill performing there should be a mechanism in which they issue a penalty for it.

Large Business - Wales



Size of penalties and rewards

Many customers struggled to fully grasp that penalties or rewards would be paid based on the companies' performance over a five year period

Cost of rewards and penalties

- The maximum £22 penalty (i.e. bill reduction) was generally seen by most customers as too small to get very excited about. The value was described as “a round of drinks” or a “trip to the cinema”. While it was welcomed it was not seen as enough to get their buy-in to the proposed approach.
- While the maximum £11 reward (i.e. bill increase) was seen by most to be negligible, some were concerned that those less able to pay might view any addition to bills very negatively.
- Customers frequently reverted to discussing the payment as an annual payment. This almost certainly related to their lack of awareness and understanding about the five year nature of the business planning process. However, when this was pointed to them they accepted the fact that it would be more appropriate to judge success or failure over a longer period so that poor performance due to bad weather or other unplanned events did not trigger penalties.

‘You can’t buy a pair of shoes for a child with that [penalty] money – you can hardly buy a pair of socks’.
65+, ABC1, Bath

The sums are going to be very small – no one is going to clasp their hands together and say – we are going on a cruise’.
65+, ABC1, Bath

“£11...Its less than a pound a month.”
45-65, BC1C2, Leeds



Overall consensus of penalties and rewards

Domestic and small business customers were asked to sum up their views. If this approach was to go ahead there would be acceptance of the idea of penalties if imposed but almost no support for adopting rewards for companies. Larger businesses were supportive of both penalties and rewards



Strong support / acceptance

**Larger business customers
(50+ employees)**



Rejection

**Domestic customers
Small business customers**

- Larger businesses are supportive of the penalties and rewards scheme.
- They relate to the principle which is commonly used within their business.
- There is a strong view that it will improve service overall as water companies would be striving for rewards .

- This groups feels strongly that it should be up to the individual water companies how they spend the rewards for meeting service level targets.

- While there is some support from some customers for penalties, customers are not in favour of rewards.
- Strong perceptions that the water industry provides a service that is fit for purpose and there is no call for rewarding companies for a service they should be providing.

- Despite objections to the concept of rewards, customers recognised that the water companies may be very motivated to achieve the rewards, and that it could encourage shareholder investment.



Supporters and detractors

Supporters

I suppose like everyone else, we don't want to encourage an increase in the bills but if the service basically is produced in a way that makes that sensible then certainly as a company we wouldn't be too averse to a smaller increase, and indeed if they don't achieve their targets then I think it's only right that they and their shareholders should suffer a penalty because after all that's what they'll be saying in their literature that they are going to do and the service they're going to provide. In other words, I think it's still the right thing.

Large Business - Southern

I think in our area there would be support for it. There's a couple of water intensive industries in our area and the actual cost of a loss of water supply to our sites in terms of the loss of production is very high, so I think other businesses they'd actually view it as a positive step.

Large Business - Wales

Detractors

'That doesn't mean anything to me. I wouldn't trust that. People can't go anywhere else.'

45-65, BC1C2, Leeds

'I've no qualms with my water company, they're fine, I've never had a problem. So now all of a sudden next year they do better so it'll cost me more, or I get a worse service and a tiny rebate. No thanks.'

22-44, C1C2, London

Ultimately they are charging us £7, they're going to drop it by £7 and then they're going to increase it or decrease it by either £22 or £11. I just don't understand why they're doing that, why can't they just keep it as it is. I don't understand what all this does. Yes okay I understand obviously yeah if it's going to improve the business and blah, blah, blah. But if we're ultimately dropping £7 to then go up or down, it's just backwards logic to me. I just don't understand it at all.

24-44, C1C2, Birmingham



Alternatives to penalties and rewards

There is little appetite for alternatives to penalties and rewards

Penalties

- Customers were not supportive of the suggestion to safeguard services by reducing the £7 reduction in the average bill.
- A reduction in bills for a fall in service was perceived as counter productive, with both domestic and business customers rejecting this idea.
- Businesses were particularly more likely to say they would rather pay more for a better service; particularly those whose businesses are reliant on water.
- Customers generally felt that water companies should be striving to provide better services within the current pricing framework and they feel there is no need to incentivise companies to maintain existing service standards.

“...I think they should just become more efficient, just suck it up and find a better way of running their business, like every other business has had to do. Make tough choices. You can't always say I'm not getting that money so I'm going to make your service crap, just think of a better way of doing it.

24-44, C1C2, Birmingham

Alternatives

If there was no penalty or reward for service levels, would you accept the possibility that service standards could fall in return for a reduction of £7 on the average bill

Or

Do you feel that companies should overcome this by being more efficient in their business without a penalty or reward system – and accept the risk of a lower service?

Or

Or would you prefer to have less of a price cut to ensure that water supply and sewerage services did not deteriorate?



Types of targets

Domestic customers were fairly divided between wanting to see hard measures or a mix of hard and soft measures used to assess penalties and rewards

Measures

- Domestic customers who supported hard measures thought it was likely that they would feed through to soft measures and that it would not be necessary to also measure soft targets.
- This view was also supported by businesses. However some felt that customer research may introduce some sentimentality as some customers would not be able to objectively measure factors such as value for money as this requires a subjective view.
- Domestic customers did not strongly relate to the example service measures concerned with water interruptions, leakages or sewerage incidents. They tended to see these measures as things that the water company should be doing anyway as part of its normal operations.
- Businesses were more supportive of these measures and felt that they would safeguard service delivery.
- Domestic customers thought that they would like to see environmental measures, or sustainability measures (such as volumes of water wasted/lost), or measures around issues that would make a difference to them.
- Customers in support of soft measures felt this would give them a 'voice'. Measures of affordability were particularly attractive to older customers or those from lower social backgrounds.

Examples of hard measures included : unplanned interruptions to water supplies ; properties at risk of low water pressure, etc. Examples of soft measures included: survey results of customer satisfaction, value for money, etc.

"Because I don't think customer surveys really give a fair representation. Everybody wants to pay less for their water bills. These sort of targets, if I was given a questionnaire saying do I want to pay less for my water bill of course I'm going to tick a yes box. I would rather they focused on important issues, water quality, things like that, the harder targets which you mentioned."

Small Business – Southern



The level of targets

The targets set under the penalties and rewards scheme needs to be challenging

Targets

- Customers felt that targets should be challenging for water companies. There was a degree of cynicism around water companies setting their own targets.
- Some domestic customers struggled to grasp the example targets. They felt that their lack of knowledge of the water industry made it difficult or impossible to set challenging targets.
- There was a view that Ofwat should play a role in ensuring that targets were really challenging. In the post-group discussion in London they also supported the idea that CCWater should play this role.
- Larger businesses trusted their water company to identify appropriate targets.
- Most customers were interested in seeing targets set that reflected local priorities and needs and therefore they did not see the value in comparisons being made across the different water companies.
- Only very few supported the idea of benchmarking companies as they recognised that there would be limited comparability between the targets that different companies set.



Decisions about penalties and rewards

Most customers wanted to use a basket of measures to decide about penalties and rewards

Implementation

- Both domestic and business customers felt that when setting targets for penalties and rewards; there should be a focus on individual water companies customers rather than the wider industry.
- There was a view that each area has its own challenges and any performance measurements should have a 'local' focus.
- There was also a minority view that some companies have greater challenges; for example service high risk flood areas or have an old infrastructure so league table like comparisons would not be equitable.
- There was widespread agreement that some kind of weighting approach should be used to award or deduct points for performance on different targets and the weightings should reflect customer needs.

Other companies have different needs. For instance Thames Water deals within Thames Valley. I don't know what they're called in Devon and Cornwall but they've got responsibility for all the beaches, and they've got a lot of farms to supply water to, so the needs will be different from different companies.

22-44, C1C2, London

"The last one. I think that's the right way to go; you need to be able to reflect what your customers want, not just the performance. It has to be based on what the customers perceive as being the thing that is quantifiable as a good service.."

Medium Business - Wales



Receipt of penalties & distribution of rewards

There were varying views on how penalties and rewards should be distributed

Implementation

- There was no consensus about who should receive the penalty payment i.e. a bill reduction. Some felt that it should be equally distributed across bill payers. Others felt it should be distributed mainly to those that had been affected by the poor performance.
- However on this point there was confusion over whether these customers would be adequately compensated directly by the water company or not if they had suffered severe problems, such as sewer flooding.
- Those that were aware that they would already receive compensation were less likely to support the idea that payments would be made to those that were affected by incidents.
- Although there was reluctance to see rewards being used, most customers thought that it should be left to the water company to decide how they used the payment.
- Larger businesses tended to think that it should be up to the company how they spend their reward for meeting performance measures.
- Some customers also felt that some of the reward should be ploughed back and used for infrastructure improvements.
- There was also a view that rewards should be used to reduce debts or to improve services particularly in the area of environment and sustainability.

"But the people who are affected deserve to pay less because they have had a lesser standard whereas everyone else has been fine, and they'd be more than happy to carry on paying the same."

**24-44, C1C2,
Birmingham**

"...the reward then goes straight onto their bottom line which would be good for the employees and also for obviously the shareholders so they ought to be able then to choose whether they're going to reinvest it which is obviously a good thing to do."

**Larger Business -
Southern**



Payment of penalties & rewards

There were varying views on the timing of penalty and reward payments

Payment term

- Customers struggled to understand that the penalties or rewards would be paid after the end of the 5 year period.
- Customers generally wanted to see the penalties paid in a single payment and the rewards spread out over a five year period. However, there was recognition that this might be unfair to companies – and that it would be acceptable that both penalties and rewards are paid out over the same period.
- Some small businesses would be more comfortable with penalty payments being paid in one lump sum and rewards being spread over five years.

...It's because of our accounting structure on site, so just having regular payments makes our accounting a lot easier so that I can anticipate then the cost of water for the site of next year it just makes our numbers a lot simpler to handle. If it's paid out at larger intervals in time it just puts more uncertainty in our finances.

Medium Business - Southern

'By the time it's paid, I might be dead.'
65+, C2D, Cardiff



Communications

Customers considered that if the penalties and rewards approach was introduced it would be Ofwat's responsibility to communicate the approach

Filtering down messages

- Most customers feel communications about the scheme should be fronted by Ofwat rather than the water company.
- Businesses were more open to the idea of companies directly communicating with customers.

Through market research as is happening now. And also through investigation of previous problems on network, have a look back at the incident reports and research from that.

Large Business - Wales

Well they should send out an email to existing customers, or something in the post, telling them about the changes or the proposed changes

Large Business - Southern

Ofwat's got the big stick, nobody else has got it. It's up to them
45-64, ABC1, Bath



Conclusions





Conclusions

- Domestic customers and small businesses opposed the penalties and rewards proposal; while large businesses were generally accepting of the proposal.
- The main reason for rejection was the coupling of penalties and rewards. Domestic and small business customers would be more accepting of an approach that involved penalties only.
- While rewards were seen as initially a good thing for customers and as a spur for water companies to ratchet-up service level performance, more detailed discussion increased many of these customers' concerns.
- In particular they challenged the idea that if penalties were paid by shareholders this would motivate them to improve services. Rather they were concerned that the water company may have less resources to put right the service deficiencies.
- Rewards were seen as unacceptable for a variety of reasons. The main concern was that customers were reluctant to pay for improvements for a service that they were already happy with. Indeed many found it difficult to imagine how their experience of the service would be bettered.
- Small businesses tended to adopt a similar perspective to domestic customers.
- In contrast larger business were very much more familiar with the idea of penalties and rewards being imposed on them in contracts with their customers.



Conclusions

- Larger companies were accepting of the proposal to adopt both penalties and rewards. They felt that it would drive up service levels and ultimately be in customers' best interest. They did accept that it might be difficult to convince domestic customers that it would be a benefit to them.
- If the proposal was not adopted customers were reluctant to see any drop in service levels or any clawback of the reduction in bills due to cheaper credit, as they felt this was not necessary to maintain or improve services. If push came to shove, they did not however, want any reduction in service levels.
- If adopted, most customers generally agreed that it should be based on a mix of hard and soft targets weighted by customer priorities. There was concern about customers' ability to contribute to the debate about the selection and levels of targets to be set, and most wanted to delegate this responsibility to Ofwat.
- However some business customers tended to think that harder measures would be more reliable.
- There were mixed views about how penalties should be distributed – some wanting an equal distribution based on customers' bill size, while others felt they should be mainly distributed to those most affected by the deterioration in service levels.
- Generally all customers were supportive of the idea that companies should decide how the rewards are spent. In Wales, where there are no shareholders, they felt customers should be actively involved in these decisions.



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