

Technical Appendix

Socio-economic groups (SEG) divide the population into groupings based on the occupation of the head of household. These groupings are outlined in the table below.

Table 1. Socio-economic groupings

| SOCIO-ECONOMIC GROUP | |
|----------------------|--|
| AB | Intermediate or higher managerial, administrative, professional e.g. Chief executive, civil servant, surgeon, teacher |
| C1C2 | Supervisory, clerical, junior managerial, skilled manual workers e.g. shop floor supervisor, sales person, electrician |
| DE | Semi-skilled and unskilled manual workers, casual labourers, unemployed e.g. assembly line worker, pensioners (without private pensions), living on basic benefits |

Data weighting has been applied to ensure representation by gender, age and socio-economic group within each region in the few occurrences where they varied by more than 5%, outlined in the table below. All other weighting factors applied were 1.

Table 2. Within region weighting

| REGION | QUOTA CATEGORY | WEIGHTING FACTOR |
|----------------|----------------|------------------|
| Eastern: SEG | AB | 0.97 |
| | C1C2 | 1.14 |
| | DE | 0.75 |
| Southern: SEG | AB | 0.91 |
| | C1C2 | 1.14 |
| | DE | 0.85 |
| Thames: age | 18-34 | 0.64 |
| | 35-39 | 1.11 |
| | 60+ | 1.11 |
| Yorkshire: age | 18-34 | 0.70 |
| | 35-39 | 1.08 |
| | 60+ | 1.08 |

DISCUSSION GUIDE: WATER MARKET REFORM FOCUS GROUPS



CONSUMER COUNCIL FOR



SYSTRA

Introduction [5 mins]

Introduction

- Thank participants for attending.
- Introduce yourself and SYSTRA (independent research organisation, specialising in water industry).
- SYSTRA has been commissioned by the Consumer Council for Water to undertake this research for them.
- CCWater: This is an independent organisation which represents water consumers in England and Wales; ensuring their interests are at the heart of decision-making in the water industry.
- The research is to understand more about your understanding of what competition in the water industry means to you and how it might affect you.
- We are undertaking these focus groups in different areas of the country.

Format of focus group

- The discussion will last up to 1 ½ hours
- Everything you say will be treated in confidence and analysed anonymously. The research complies with the MRS Code of Conduct and Data Protection Act.
- I am recording our conversation for my own purposes, so I can listen to what you have said afterwards – but what you say will remain anonymous. Confirm all participants agree.
- Phones off / silent
- No right or wrong answers, discussion not Q&A, but please don't talk over each other/have side conversations, or the recording will be difficult to listen too - everyone will get a chance to talk.

Introduce members of the group

- First name
- Where you live
- On a water meter or not

A: Principles of Competition [10 mins]

Views on competitive markets

To begin, we're going to talk about markets, where suppliers compete for customers like yourselves, and where customers can choose who to buy goods and services from.

- As a consumer, how do you feel about having a choice regarding who provides your goods and services?
 - Is it generally a good or bad thing, or are you indifferent? Does it mean customers will get the 'best' deals?
 - Why? What does it depend on?
- Can you think of an example where, as a consumer, you experienced exceptionally good customer service or an excellent product?
 - What is it that made the service/product exceptionally good? Would you say that this is an example of a market that is working well?
 - Moderator to particularly draw out metrics of 'success'.
- In contrast, have you experienced very poor customer service, or product?
 - What is it that made the service/product poor? Why? Would you say that this is an example of a market that is not working well?

Experience in other Markets

- What is your experience of choice in utilities such as energy, internet, landline and/or banking?
 - What do you think of the energy and telecommunications markets? Are they effective and successful markets for consumers, or not?
 - Why?

B: Current Water and Sewerage Services [5 mins]

- Who provides your water supply and sewerage service?
 - Generally speaking, how satisfied are you with the service provided by them? What, if any issues? Or is it all good?
- Do water companies have to compete with each other for their customers, or do they provide a service for everyone in a certain location?
 - How confident are you?

C: Attitudes and Behaviour [25 mins]

The current situation is that the water industry is a monopoly market, where only one sewerage service provider, and one water service provider is allowed to operate in one location. The water and sewerage companies have a regulator, OFWAT, which monitors the quality of service provided across the country, and reviews how much companies can charge every five years.

[SHOWCARD 1]:

“Competition in the water and sewerage industry would mean customers could choose their supplier”

We’d like you to consider the pros and cons are of having competition for residential customers in the water industry.

- Do you think competition in the water and sewerage market would be a good or bad thing for customers? Would you support this, or oppose it?
- If you had a choice of companies that could supply water and/or sewerage services to your home, in principle – do you think you would be likely to consider alternative suppliers and/or change your supplier(s)? [SHOW OF HANDS – COUNT # ACTIVE & # INACTIVE IN MARKET] What’s your ‘gut reaction’?
 - Why / why not?
 - What would make you consider changing supplier? Prompt if necessary: price, quality of product, customer service, reliability of service.
 - What would be **your** main concern(s)?

The service area where you would have choice is the company which reads your water meter (if you have one), sends you the bills, deals with your payments and provides you with customer service.

This is the **retail** part of the market that may change. [SHOWCARD 2]. This means that the water you get at your home – the actual product - would not change whether you switch your retail company or not. Similarly, waste-water/sewerage services will be exactly as before.

Pipes in and around the home will remain the responsibility of the homeowner.

- What effect would retail competition have on the water market and the services you receive?
- Now that you know that competition would mean you could choose the company which provides your retail service, does this change your initial ‘gut reaction’? Are you more, the same, or less supportive of competition?
 - Why / why not?
- If you had a choice of companies that could supply retail services to you – do you think you would be likely to consider switching to one of these? [SHOW OF HANDS]
 - Why / why not?

- Probe to assess understanding that the competitive aspect of the energy market is retail and that the supply itself does not change.

In fact, changing energy supplier does not change the energy delivered to your home, it remains the same as it was before the market was opened competitively. Whenever a customer switches their energy company, they are switching their retail services that is, billing and customer service.

- Does this make any difference to your views on competition in the water market?
 - In what ways?
 - Why?
- Bearing in mind your experience of other sectors, such as energy, telecoms and banking, do you think changes in the water market to give customers choice is a good, or bad, idea?
 - Why?
 - If good: which aspects in particular?
 - If bad: which aspects in particular? How could they be overcome?

Now, we're going to talk about how introducing competition for services can affect how things are for customers.

[SHOWCARD 3]: At the moment, all customers in a region pay the same unit price for water and sewerage services. With competition this could change as companies can have different unit prices reflect that some customers cost them more to serve than others.

- Which system would you prefer? One where everyone pays the same unit price or where customers can choose from different suppliers with different unit prices?

Customers who pay by direct debit and manage their account online are cheaper to serve than customers who get paper bills. These customers could get more choice of suppliers and deals than other customers who may pay more for their services and find it harder to switch to get a better deal.

- What are your views on this?
 - Are there any other implications?
 - Prompt: this is standard practice in the energy industry; what are your thoughts now?

Show of hands as to who supports the idea of competition for retail services in water

D: Likelihood of Switching [20 mins]

General

- Why do you think that someone would want to switch to a different company for retail water and sewerage services? What do you think might make people switch?
 - Prompts only if necessary: Benefits – save money / better service; Cons – risk / excessive sales activity & mis-selling / enough complications in life, as it is; bundled services; smart meters?
- What might stop people from switching or put them off finding out about it?
 - Prompts, only if necessary: bad experience of other market, poorer service, hassle, price increase, savings not enough, lack of interest, things going wrong, lack of information, pressure from sales reps How could these problems be overcome?
 - Prompt: Would you bother to find out about other offerings? Why?
- How big a range of choice would you want to have?
 - How many suppliers?
 - How many different prices?
 - Prompt: Are aggressive salesmen likely, do you think – or has the problem of aggressive or over-selling gone away?
- How would you feel about staying with the same supplier but renegotiating with them?
 - Would you prefer to stay and renegotiate or switch supplier? Which would you be more likely to do – renegotiate or switch?
 - Have you ever haggled for a better service or price in order to stay with your current supplier instead of switching? What service and what was the outcome?
 - Would you expect to be able to renegotiate with your water and sewerage supplier?

Services that prompt Switching

Before we talk about price, can I ask you:

- Has better service ever prompted you to switch supplier in energy, telecoms or banking? If so what was it?
- And for water competition, what improved retail services might prompt you to switch?
 - What would your ideal customer retail service look like in water competition?
 - Prompts: introduction of Smart Meters; single retailer and bills covering all utilities; clever tariffs (i.e. cheaper charges at off-peak times or at winter when water is plentiful; those that vary by time of day/seasonally) etc., an app to manage your account
 - Would improved customer services motivate you to switch – e.g. more people on hand to answer queries / no recorded messages, guaranteed response times, more flexible ways of making contact/managing account e.g. use of apps or clever technology etc.

Savings to Prompt Switch

- To provide context for the next question, how much is your water and/or water and sewerage bill?

The retail service makes up around 10% of the average bill, so any money that can be saved off the bill when a customer switches comes out of this 10%. What do you think about this?

The average water and sewerage bill in the xxx¹ region is £xxx a year. So, the retail service of 10% is £xx a year – how much of this would you expect to save if you decided to switch – what would make it worthwhile/prompt you to switch?

At the moment, it seems that savings from switching could be 10-20% of the retail charge – which is 1-2% of the whole bill, or £x-x a year. Using that as an indication of how much you could save – does this impact your likelihood to switch?

- [TO THOSE UNWILLING TO SWITCH TO SAVE £x-x] How much would you need to save on your water bill (in £s) for you to consider switching?
- Have you ever switched in another utility simply to get the best price, even though it isn't much of a saving?

Overall

- Now that you've considered different services and potential savings, do you think you would be more likely to:
 - a) Stay with your current supplier and service offering
 - b) Try to renegotiate with your current supplier
 - c) Switch to a new supplier
 - Why?
- Now that you have considered service and price, do you think competition in the retail water industry would be a good or bad thing for customers?
 - Why?

Cross-Sector Offerings and Middle-Men

It's possible that the kind of market we are talking about here, where a company only provides bills and customer services, rather than the actual product (water), could attract companies providing these services in another industry.

- If your current telecom or energy company decided to offer billing and customer service in the water industry, would you be more or less likely to switch to them than an established water company?
 - Why?

¹ Each topic guide was tailored to the specific water region, citing the average combined bill for that region.

- Probe: thoughts on the separation of contact with wholesaler
- And if you got a leaflet from a company you'd never heard of before, would you be more or less inclined to switch to them?
 - Why?
- Would you be tempted to switch if you could have one supplier and one bill for services like water, energy and telecommunications [especially if overall price reduced]?
 - Why/why not?
 - What would the expected benefits/disadvantages be?
 - How might the disadvantages be overcome?

E: Wider considerations [10 mins]

Winners & Losers

- Which customers are likely to gain most from retail market competition?
- Are there some types of customers who might lose out in some way if retail competition happens?
 - Which types of customers? How might they lose out? How could this be overcome?
 - What about people who may struggle to pay as they are on fixed low incomes, or who have long term health problems or disabilities, or who don't have access to the internet?
 - Should the regulators intervene to protect against some things?
 - If so, what things? (Moderator note: household disconnection is not currently allowed.)
 - Does this affect your view on whether retail competition in the water market is a good thing or not?

Disconnection

At the moment, water companies are not allowed to disconnect or restrict the water supply of any household, even if they are not paying the bill (they can take people to court for non-payment). Households are protected from disconnection by law because of the public health aspects of having a water supply. Money left unpaid is spread across the bills of customers who do pay.

This approach might be reconsidered if competition were introduced. For example, disconnection or restriction of the flow of water, to a trickle, might be considered, or pre-payment water meters might be introduced, so that if someone doesn't keep up with payments the supply would partially disconnect.

- What do you think of this? Does it affect your view on the introduction of competition? How could any concerns be overcome?
- Should customers in debt be allowed to switch suppliers? If so, what level of debt would be appropriate?

Metering policy

At the moment, customers can choose whether or not to have a water meter installed (free of charge). People typically ask for a water meter if they are a small household not using a lot of water, because this would save them money.

- [UNMETERED CUSTOMERS ONLY]: If a new supplier offered you a better deal than your current supplier – in terms of price and quality of service – but also required you to be on a water meter, would this affect the likelihood of you switching supplier?
 - Why?
 - Would you switch if you had to have a meter but knew you could have it taken out if you later found a supplier who allowed this?

Social tariffs

All water companies currently offer some kind of social tariff – that is, a discounted bill for people in genuine financial hardship, which mean that they need to use large amounts of water.

- What should happen about customers who struggle to pay in a competitive water market?
 - Should there be social tariffs to protect vulnerable customers?
 - Should a customer on a social tariff be able to switch if they find a better deal or renegotiate with their current supplier? Should a customer who is on a social tariff being able to take it with them if they want to switch, or should they need to apply again?
 - If they take it with them – then should all companies in the market have to offer the same scheme? What if some were able to specialise and offer customers who need a bit more help better levels of support than others?
 - Should this be regulated by an independent body such as Ofwat, or left up to the company to decide? Why? How closely should this be regulated?
 - Is there anything else which should be regulated?

F: Retail Exit [10 mins]

A further possibility is shown here: follows [SHOWCARD 4]:

“In a competitive market water companies could choose to transfer their customer accounts to another company. If this happened householders would not have any choice in the company their account was initially transferred to, although they could still switch to a preferred supplier if they wanted.”

- What do you think about this? Does it affect your view on whether this retail competition should happen or not – if so how?
 - Do you think you would be more/less likely to change your supplier(s) if your account was transferred? [SHOW HANDS]
 - Why / why not?
 - Do you have any concerns?

G: Differences in governmental policies [5-10 mins] *To be discussed in Wales only*

The UK government is reviewing its position with regards to competition in the water industry, however in Wales there are no plans to change the way the water market works for household customers i.e. there are no plans to introduce competition for retail services.

- What is your reaction to this information?
 - Which approach do you prefer? Why?
 - Does it make a difference to any of the views you've expressed throughout this discussion? If so, which ones and why?

Summing up [5 mins]

- Now that we've discussed potential changes in the water market, do you have a feel for which type of market would work better for you, i.e. regulated with one/two fixed suppliers, or being able to choose suppliers?
 - Has this view changed throughout the discussion? If so, what prompted this change and why?
- And if you had the choice, how likely or unlikely would you be to switch to a new company for your water bills and customer service, or renegotiate with your current supplier?
- Before we finish, do you have anything else you would like to add?

Thank participants and distribute incentives

Showcard 1 – Competition in the Water Industry

“Competition in the water and sewerage industry would mean customers could choose their supplier”

Showcard 2 –Retail Competition

Wholesale (NOT OPEN TO COMPETITION):

- Water collection and storage
- Cleaning and treatment
- Delivery through pipes
- Waste water and sewerage treatment

e.g. repairing burst pipes

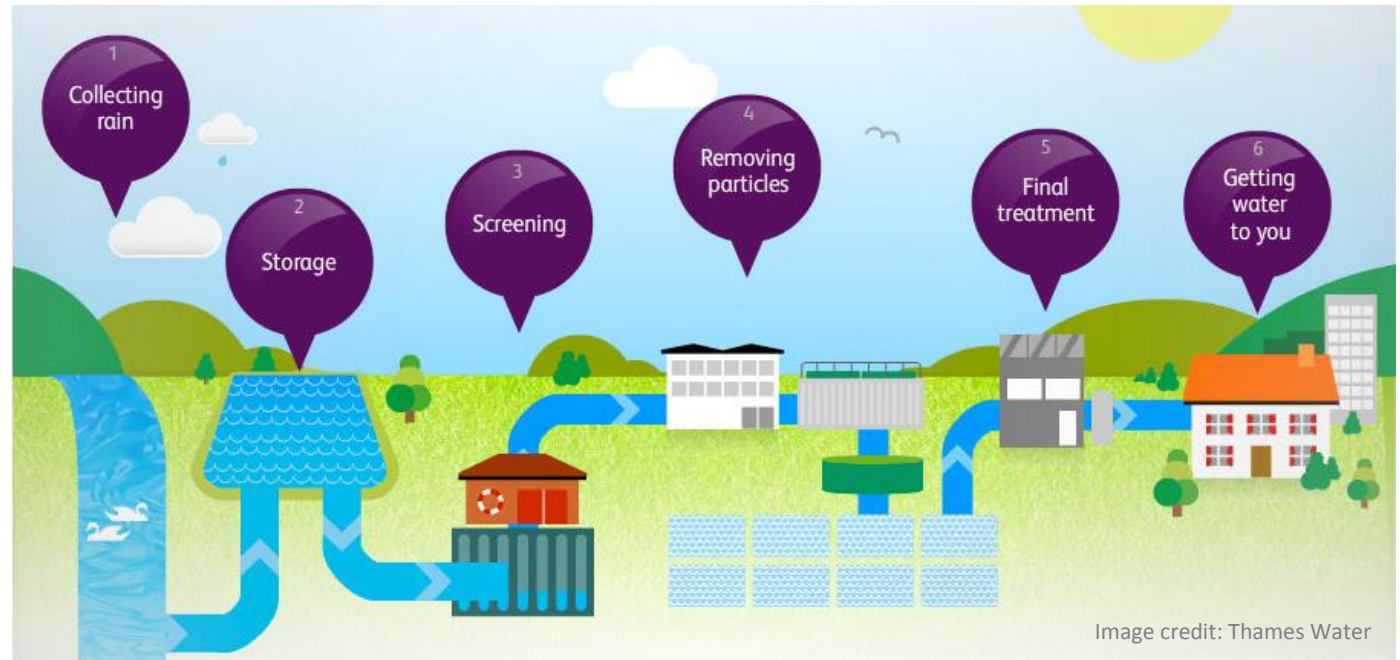


Image credit: Thames Water

Your charges for this bill

| Water | | | | |
|--|--|-------------|-----------------------|-----------------------------|
| Meter readings | previous | current | Volume | £ |
| For meter number | 312 actual | 320 actual | 8 cubic metres | |
| 00-3100695 | 24 Feb 2012 | 13 Sep 2012 | | |
| | 24 Feb 12 to 31 Mar 12, 1.47 x £0.9497 | | | £1.40 |
| | 1 Apr 12 to 13 Sep 12, 6.53 x £0.9763 | | | £6.38 |
| Standing charge | 1 Apr 12 to 30 Sep 12 | | | £15.00 |
| | | | Water total | £22.78 |
| VAT | | | | £4.56 |
| VAT on £22.78 at 20.0% | | | | |
| <i>As you are a business, we have to charge you VAT on water</i> | | | | |
| Sewerage (service provided by Thames Water) | | | | |
| For meter number | 24 Feb 12 to 31 Mar 12, 1.47 x £0.5900 | | | £0.87 |
| 00-3100695 | 1 Apr 12 to 13 Sep 12, 6.53 x £0.6473 | | | £4.23 |
| Standing charge | 1 Apr 12 to 30 Sep 12 | | | £26.00 |
| | | | Sewerage total | £31.10 |
| Water and sewerage charges for this bill | | | | £58.44 |
| Transactions since your last bill | | | | |
| 13 Apr 2012 | Payment received | thank you | | £62.33 |
| (N.B. This is not the amount due for this bill.) | | | | Transactions -£62.33 |

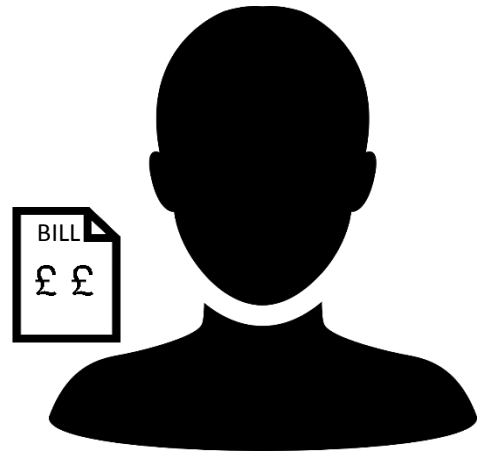


Retail (OPEN TO COMPETITION):

- Billing
- Customer Service

e.g. billing enquiries and reporting burst pipes

Showcard 3 – Cost Reflectivity and Choice



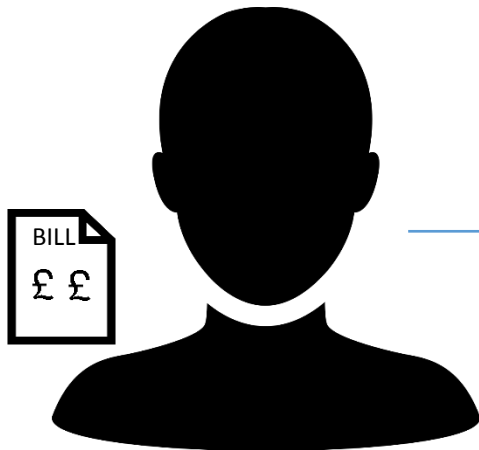
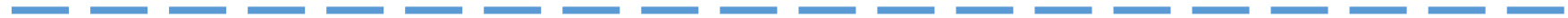
Customer A



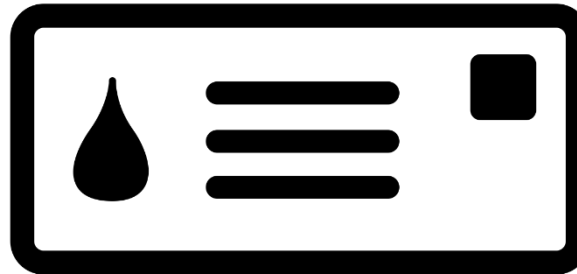
Cheaper for company to supply



More choice in competitive market



Customer B



Paper billing



More expensive for company to supply



Less choice in competitive market

Showcard 4 – Competition in the Water Industry

“In a competitive market, water companies could choose to transfer their customer accounts to another company.

If this happened householders would not have any choice in the company their account was initially transferred to, although they could still choose to switch from them to a more preferred supplier if they wanted.”

INTERVIEW GUIDE

Household Customer Views on Water Market Reform in England

Domestic Customer In-Depth Interview

Good morning/afternoon/evening. My name is from SYSTRA, an independent research company. I am carrying out a survey on behalf of the Consumer Council for Water. This is an independent organisation which represents water consumers in England and Wales; ensuring their interests are at the heart of decision-making in the water industry.

Thank you for agreeing to participate in this research.

Everything you say will be treated in confidence and analysed anonymously.

I am recording our conversation for my own purposes, so I can listen to what you have said afterwards – but what you say will remain anonymous. [Confirm agreement]

A: Principles of Competition [5 mins]

To begin, I'd like us to talk about markets where suppliers have to compete for customers like yourself, and where customers can choose who to buy goods and services from.

Q1. As a consumer, how do you feel about having a choice regarding who provides your goods and services?

- Is it generally a good or bad thing, or are you indifferent? Always?
- Why? What does it depend on?
- Do you have an example of when you experienced exceptionally good or bad customer service or product?
- What is it that made that product or service exceptionally good?

Q2. What is your experience of choice in utilities such as energy, internet, landline and/or banking?

- Q3. What do you think of the energy and telecommunications markets? Are they effective and successful markets for consumers, or not? Why?

B: Current Water and Sewerage Services [5 mins]

I'd now like to discuss with you your water and sewerage services.

Q4. Who provides your water supply and sewerage service?

- Generally speaking, how satisfied are you with the service provided by them?

Q5. Do water companies have to compete with each other for customers, or do they provide a service for everyone in a certain location?

C: Water Company Social Tariffs [5 mins]

Q6. What is the main reason that allows you to qualify for the Watersure scheme?

- Medical condition which causes extra water to be used
- Financial reasons/claiming benefits
- Have a large family – eg. Receiving child benefit for three or more children under 19 living at the same address and still in full-time education

Q7. How does this scheme work?

(Moderator to clarify as necessary: the scheme caps charges for your water and sewerage services so they are no higher than the average bill in your area.)

- What's your experience of this scheme?
- What works well and what doesn't?

Q8. Are you on any similar schemes which help you with your bills in other utilities?

- Probe: for any difference in availability of social discount between competitive & non-competitive markets
- Probe: does your household have a pre-payment meter for energy services?
- If so, what's your experience of this? (Good, bad, indifferent – experiences may influence discussion later)

D: Attitudes and Behaviour [15 mins]

Interviewer note: where barriers are raised at any point during discussion probe on how these can be overcome.

Interviewer to provide clarification so participants are somewhat informed: the current situation is that the water industry is a monopoly market, where only one sewerage service provider, and one water service provider is allowed to operate in each area. The water and sewerage companies have a regulator, OFWAT, which monitors the quality of service provided across the country, and reviews charges every five years. .

“Competition in the water and sewerage industry would mean customers could choose the company which reads their water meter (if they have one), sends the bills (including large print for customers who want it), offer password schemes (to protect against bogus callers), deals with payments and provides customer service and schemes like WaterSure.”

This is the **retail** part of the market that may change. [SHOWCARD 1]. The water you get at your home – the actual product - would not change whether you switch your retail company or not. Similarly, waste-water/sewerage services will be exactly as before.

Pipes in and around the home will remain the responsibility of the homeowner.

We’d like you to consider the pros and cons are of having competition for residential customers in the water industry.

Q9. Do you think competition in the water and sewerage market would be a good or bad thing for customers?

- What do you think this change would mean in reality?

If you had a choice, how likely would you be to **consider** changing the water company that provides these retail services? And how likely would you be to switch?

- Why / why not?
- What would encourage you to consider changing supplier? *Prompt if necessary: price, quality of product, customer service, reliability of service.*

Q10. How would you feel about staying with the same supplier but negotiating a better price or service with them?

- Would you prefer to stay and renegotiate or switch supplier? Which would you be more likely to do – renegotiate or switch? Or neither?

Q12. If competition was introduced, what would the pros and cons be for your household?

For pros and then for cons:

- Would all households be affected equally by this, or would some be affected more than others.
- What about your household – the same, or more or less than others? Why?
- why?

Interviewer to explain: Changing energy supplier does not change the energy delivered to your home, it remains the same as it was before the market was opened competitively. Whenever a customer switches their energy company, they are switching their retail services that is, billing and customer service.

It would be the same with switching in the water industry – the water you receive and the way it gets to your home will not change, but you would be able to choose the company you communicate with.

Q14. Does this make any difference to your views on introducing competition in the water market?

- In what ways?

Why?

Q15. What is your experience of choosing between suppliers in the energy, telecoms, or banking service sectors?

- Any particularly good/bad aspects?
- How could the water industry avoid any bad things you have experienced? Does this influence your views on water market reform?
- [IF NO EXPERIENCE] why not?

Q17. Bearing in mind your experience of other sectors, such as energy, telecoms and banking, do you think changes in the water market to give customers choice is a good, or bad, idea?

- Why?
- If good: which aspects in particular?
- If bad: which aspects in particular? How could they be overcome?
- If the water market could be designed taking your experiences into account, would this change your opinion of water market reform? Which aspects in particular?

Q16. Have you ever haggled for a better service or price in order to stay with a current energy or telecommunications company instead of switching? What service and what was the outcome?

E: Likelihood of Switching [15 mins]

Q18. With this fuller understanding of potential changes in the water market, do you think you would be likely to change your retail water supplier(s)?

- Why / why not?
- Pros and cons?
- For any cons raised: Would all households be affected equally by this, or would some be affected more than others. What about your household – the same, or more or less than others? Why?
- How might these concerns be overcome?
- Would the offer of leakage detection or water efficiency advice make you more likely to switch?
- Is there a difference in attitude to water compared to sewerage services?

Q19. What improved services might prompt you to switch?

- Has better service ever prompted you to switch supplier in energy, telecoms or banking? If so what was it
- And for water competition, are there any improved retail services which might prompt you to switch? [SHOWCARD 2]

Q20. To provide context for the next question, how much is your water and/or sewerage bill?



Q21. How much would you need to save on your water bill (in £s) for you to consider switching?

The WaterSure bill cap in your region is £XXX a year. So, the retail service of 10% is about £YYY a year. How much of this £XX would you expect to save if you decided to switch?

How likely would you be to switch if you could save £X-X a year on a bill of £XXX?

- Have you ever switched in another utility simply to get the best price? What's the smallest saving you've switched for?

Q22. Now, thinking about the water companies, if you became aware of a better service or price offering from a different water company, do you think you would be most likely to:

- a) Stay with your current supplier and their service/price offering
- b) Try to renegotiate a better service or price with your current supplier
- c) Switch to a new supplier

For those not willing to consider switching:

- Q23. Why is this?

Q24. If your current telecom or energy company decided to offer billing and customer service for your water and sewerage services, would you be more or less likely to switch to them than another established water company, such as Thames Water, Scottish Water or Anglian Water [DO NOT READ OUT EXISTING SUPPLIER]?

- And if you got a leaflet from a company you'd never heard of before, would you be more or less inclined to switch to them?
- If you could get one bill for all services like water, energy and telecommunications would this affect your view on switching? How?

At the moment, it's against the law for water companies to cut off or restrict the water supply to households which don't pay their water bills. Households are protected from disconnection by law because of the public health aspects of having a water supply. The cost of unpaid bills is spread across the bills of customers who do pay – on average, every customer pays an additional £21 to make up for customers who do not pay their bill.

With competition, the policy on disconnection could be reviewed and new approaches considered for households which don't pay such as restricting their water supply to a trickle.

Q25. What do you think of the possibility of approaches to disconnection being reviewed? Does it affect your view on the introduction of competition?

- Pros and cons?
- For any cons raised: Would all households be affected equally by this, or would some be affected more than others. What about your household – the same, or more or less than others? Why?
- How might your concerns be overcome?

Q26a. Most customers pay on time but some do not. Should customers who owe money to their water supplier be allowed to switch?

Q27. If there was competition in the water industry, how do you think this might affect [WaterSure] schemes like the one your household is on? What would you like to see happen?

- Why?

Q27b. If you decided to switch supplier how would you feel about:

- Automatically staying on exactly the same scheme with the new supplier without reapplying?
- What if this scheme offered the same discounted bill level everywhere?
- If the scheme worked like this, would it make any difference to your views on competition and likelihood to switch?

Alternatively, how would you feel about the following [CHANGE ORDER ACROSS INTERVIEWS]:

- What if customers on discounted bill schemes were automatically transferred to whatever the equivalent discount scheme is when they switch supplier? It could be better for your household in some respects and not so good in others, and could have a different bill level?
 - If the scheme worked like this, would it make any difference to your views on competition and likelihood to switch?
- having to apply for a new scheme with your new supplier, which is different to your current scheme – it could be better for your household in some respects and not so good in others, and could have a different bill level
 - If the scheme worked like this, would it make any difference to your views on competition and likelihood to switch?
- Overall, which of these approaches would be **most** likely to encourage your household to consider switching?

Q28. And should these schemes be regulated by an independent body such as Ofwat, or left to each company to decide?

- *Why?*

[SHOWCARD 3]: Customers who pay by direct debit and manage their account online are cheaper to serve than customers who get paper bills. In the energy and telecoms industries, these customers get more choice of suppliers and deals than other customers who may pay more for their services and find it harder to switch to get a better deal.

Q28b. What do you think of this? Does it affect your view on the introduction of competition in the water industry?

- Pros and cons?
- For any cons raised: Would all households be affected equally by this, or would some be affected more than others. What about your household – the same, or more or less than others? Why?

How might your concerns be overcome?

- How often do you use the internet?
- Do you sometimes use online comparison websites to choose between services via online comparison websites?

[IF YES] To search for cheaper services OR to actually switch service provider (i.e using their click-through facility)?

If competition was introduced, some customers could expect to save money but some may end up paying more.

What do you think of this? Does it affect your view on the introduction of competition?

- Pros and cons?
- For any cons raised: Would all households be affected equally by this, or would some be affected more than others. What about your household – the same, or more or less than others? Why?

How might your concerns be overcome?

F: Retail Exit and Reflective Costs [10 mins]

A further possibility in water market reform may mean that water companies act as follows [SHOWCARD 4]:

“In a competitive market water companies could choose to transfer their customer accounts to another company. If this happened householders would not have any choice in the company their account was initially transferred to, although they could still choose to switch to a preferred supplier if they wanted.”

Interviewer note: Some water companies may decide that they don't want to be part of a new retail market. They may decide to focus instead on providing water supplies, treating waste water, and managing the network of pipes. In this case, they would transfer their customer accounts to another company.

Q29. What are your thoughts about competition now?

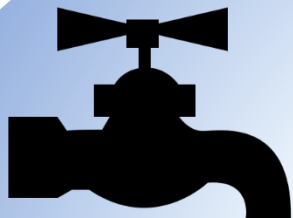
- Do you think you would be more/less likely to change your supplier(s) if your account was transferred?
- Do you have any concerns? Would these affect all households equally or some more/less than others? What about your household?
- How might your concerns be overcome?

Summing up [5 mins]

Q30. Has your view changed at all throughout the discussion? If so, what prompted this change and why?

Before we finish, do you have anything else you would like to add?

Water Market Competition



combined utility bills



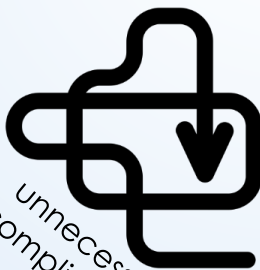
switching supplier



confusion



lower water bills



unnecessary complications



getting the best deal



improved customer service



smart water meters



locally sourced

Household Customer Views on Water Market Reform Survey Questionnaire

Screening

Good morning/afternoon/evening. My name is and I am conducting a survey on behalf of the Consumer Council for Water – an independent organisation which represents water consumers in England and Wales. Would you mind answering a few questions; it should take about 15 minutes?

Firstly, I'd like to ask you a few questions to check that the survey is relevant to you?

S1 Do you work:

- | | |
|---|---|
| In the water industry | <input type="checkbox"/> 1 THANK & CLOSE |
| As a regulator or stakeholder of the water industry | <input type="checkbox"/> 2 THANK & CLOSE |
| At a utility company | <input type="checkbox"/> 3 THANK & CLOSE |
| As part of a consumer organization | <input type="checkbox"/> 4 THANK & CLOSE |
| None of the above | <input type="checkbox"/> 5 |

S2 Are you the water or sewerage bill payer in your household? (Tick one)

- | | | |
|---------------------------------|----------------------------|--------------------------|
| Yes, sole responsibility | <input type="checkbox"/> 1 | |
| Yes, joint responsibility | <input type="checkbox"/> 2 | |
| Don't know | <input type="checkbox"/> 3 | |
| No | <input type="checkbox"/> 4 | THANK & CLOSE |

S3 Which age group are you in? (Tick one)

- | | | | |
|--------------------|----------------------------|-------------------------|----------------------------|
| 16 - 24 years..... | <input type="checkbox"/> 1 | 60-74 years..... | <input type="checkbox"/> 5 |
| 25 - 34 years..... | <input type="checkbox"/> 2 | 75 years and over | <input type="checkbox"/> 6 |
| 35 - 44 years..... | <input type="checkbox"/> 3 | Prefer not to say..... | <input type="checkbox"/> 7 |
| 45 - 59 years..... | <input type="checkbox"/> 4 | | |

S4 Are you... (Tick one)

- | | | | |
|-----------|----------------------------|-------------|----------------------------|
| Male..... | <input type="checkbox"/> 1 | Female..... | <input type="checkbox"/> 2 |
|-----------|----------------------------|-------------|----------------------------|

S5 What is the occupation of the chief income earner in your household?

- A Higher managerial, administrative or professional in large company (over 250 employees)
- B Intermediate managerial, administrative or professional or Higher management in a company with less than 250 employees
- C1 Students, Supervisory or clerical and junior managerial, administrative or professional
- C2 Skilled manual workers
- D Semi and unskilled manual workers
- E Unemployed or a pensioner who depends on the welfare state for their income, i.e. not a private pension
- Prefer not to say

[CODE SOCIAL GRADE]:

A/B ?1
 C1/C2 ?2
 D/E ?3

QUOTA

| Gender | | Age | | SEG | |
|--------|----|---------|----|-------|----|
| Male | ?1 | 18 – 34 | ?1 | A/B | ?1 |
| Female | ?2 | 35 – 59 | ?2 | C1/C2 | ?2 |
| | | 60+ | ?3 | D/E | ?3 |

Main Survey

[PRE-CODE WATER REGION ACCORDING TO SAMPLE DATABASE]:

Anglian..... ?1
 Dwr Cymru (Welsh Water) ?2
 Northumbrian ?3
 Severn Trent ?4
 South West..... ?5
 Southern..... ?6
 Thames..... ?7
 United Utilities ?8
 Wessex ?9
 Yorkshire ?10

pQ1 Who is your water company? (This may be the company which deals with your sewerage too.)

Anglian..... ?1
 Dwr Cymru (Welsh Water) ?2
 Northumbrian ?3
 Severn Trent ?4
 South West..... ?5
 Southern..... ?6
 Thames..... ?7
 United Utilities ?8
 Wessex ?9
 Yorkshire ?10
 Affinity – Region unknown [Interviewer to prompt on below areas]..... ?11
 Affinity – Central ?12
 Affinity – East ?13
 Affinity – Southeast..... ?14

| | |
|------------------------------------|-----|
| Bournemouth | Q15 |
| Bristol | Q16 |
| Cambridge | Q17 |
| Cholderton & District | Q18 |
| Dee Valley..... | Q19 |
| Essex & Suffolk | Q20 |
| Hartlepool | Q21 |
| Portsmouth | Q22 |
| South East..... | Q23 |
| South Staffordshire | Q24 |
| Sutton & East Surrey | Q25 |
| “the Council/Water Board” | Q26 |
| Other (please specify _____) | Q27 |

pQ2 How much do you agree or disagree that the water and sewerage charges that you pay are affordable to you?

| | |
|---------------------------------|----|
| Strongly Agree | Q1 |
| Tend to Agree..... | Q2 |
| Neither Agree nor Disagree..... | Q3 |
| Tend to Disagree | Q4 |
| Strongly Disagree | Q5 |

COMPETITION – IMMEDIATE (RELATIVELY UNINFORMED) VIEW

I am now going to ask some questions relating to competition in the water and sewerage industry.

“Competition in the water and sewerage industry would mean customers could choose their supplier - i.e. the company that charges them for water and sewerage services, but not change the actual water they receive.”

Q1 To what extent do you agree or disagree with the principle of introducing competition in the water and sewerage industry? [single code]

| | | |
|---------------------------------|----|-----------------------------|
| Strongly Agree | Q1 | Skip to Q2a |
| Tend to Agree..... | Q2 | Skip to Q2a |
| Neither Agree nor Disagree..... | Q3 | Skip to Q3 |
| Tend to Disagree | Q4 | Skip to Q2b |
| Strongly Disagree | Q5 | Skip to Q2b |

Q2a Why do you say that you agree? [unprompted, multicode]

| | | |
|----------------------------------|----|----------------------------|
| Will give customers choice | Q1 | Skip to Q3 |
| Competition is good..... | Q2 | Skip to Q3 |
| Monopoly is bad | Q3 | Skip to Q3 |

- Will lead to lower prices ?4 [Skip to Q3](#)
- Will lead to better quality of services ?5 [Skip to Q3](#)
- Will mean the better companies win customers, poorer companies lose them ?6 [Skip to Q3](#)
- Would get better quality water (at this stage they don't know it's retail) ?7 [Skip to Q3](#)
- Would want to switch away from current supplier ?8 [Skip to Q3](#)
- Other (please specify _____) ?9 [Skip to Q3](#)

[\[Go to Q3\]](#)

Q2b Why do you say that you disagree? [unprompted, multicode]

- Overcomplicating the market ?1
- Hasn't worked well in other markets ?2
- Can't see any advantages ?3
- The market works well as it is ?4
- Happy with existing supplier ?5
- Would eventually lead to increased prices ?6
- Suppliers/industry should be nationalised ?7
- Too much effort to change/couldn't be bothered ?8
- Don't think the savings would be worth it ?9
- Other (please specify _____) ?10

Q3 If you had a choice, how likely would you be to consider changing the company that charges you for your water and sewerage services? [single code]

- Very likely ?1
- Fairly likely ?2
- Fairly unlikely ?3
- Very unlikely ?4
- Don't know ?5

COMPETITION – MORE INFORMED VIEW

Competition would mean that you could choose the company which provides your **retail service**. They would read your water meter (if you have one), send your bill, deal with your payments and provide customer service. From April 2017 business customers in England will be able to choose their retail suppliers in this way.

Competition would not affect the water you get at your home which would stay the same whether you switch your retail company or not. Similarly, your waste-water/sewerage services will be exactly as before.

Pipes in and around the home will remain the responsibility of the homeowner.

So, competition in water would work in a similar way to other utilities, such as energy and telecoms, where the delivery of the actual product doesn't change when people switch supplier.

Q4 Now that you know that competition would mean you could choose the company which provides your retail service, to what extent do you agree, or disagree, with introducing competition in the water and sewerage industry? [\[single code\]](#)

- Strongly Agree ?1
- Tend to Agree..... ?2
- Neither Agree nor Disagree ?3
- Tend to Disagree ?4
- Strongly Disagree ?5

Q5 Now that you know that competition would mean you could choose the company which provides your retail service, how likely would you be to consider changing your retailer? [\[single code\]](#)

- Very likely ?1
- Fairly likely ?2
- Fairly unlikely ?3
- Very unlikely ?4
- Don't know..... ?5

Introduction to question about the effect of competition on markets

Competition may give some customers more choice of suppliers and access to better deals than others. This is what has been found in other utilities where there is retail competition. For example customers who pay by direct debit or who manage their account on-line are cheaper to serve and so are more likely to be offered better deals.

Q6a If some customers had more choice of suppliers than others, to what extent do you agree, or disagree, with introducing competition in the water and sewerage industry? [\[single code\]](#)

- Strongly Agree ?1
- Tend to Agree..... ?2
- Neither Agree nor Disagree ?3
- Tend to Disagree ?4
- Strongly Disagree ?5

Q6b With competition, whilst some customers would save money others may end up paying more than before; to what extent do you agree, or disagree with introducing competition in the water and sewerage industry? [\[single code\]](#)

- Strongly Agree ?1
- Tend to Agree..... ?2
- Neither Agree nor Disagree ?3
- Tend to Disagree ?4
- Strongly Disagree ?5

Q6c If a new company offered you a better price, however small the saving was, how likely would you be to switch from your current water retailer? [single code]

- Very likely ?1
- Fairly likely ?2
- Fairly unlikely ?3
- Very unlikely ?4
- Don't know..... ?5

Q6d If a company that already bills you for other services such as energy or broadband how likely would you be to switch from your current water retailer? [single code]

- Very likely ?1
- Fairly likely ?2
- Fairly unlikely ?3
- Very unlikely ?4
- Don't know..... ?5

The retail service makes up around 10% of the average bill, so any money that can be saved off the bill when a customer switches comes out of this 10%.

The average water and sewerage bill in England and Wales is £389 a year. So, the retail service of 10% is about £39 a year. How much of this £39 would you expect to save if you decided to switch?

Q6e Open ended response: £ _____

Q6e.i How likely would you be to switch if you could save £4-8 a year on a bill of £389?

- Very likely ?1
- Fairly likely ?2
- Fairly unlikely ?3
- Very unlikely ?4
- Don't know..... ?5

And thinking of your own water bill, how much money would you need to save a year to consider switching?

Q6f Open-ended response: £ _____

Q6g How likely would you be to switch supplier if an incentive – such as cashback, loyalty points (i.e Nectar points) – was offered?

- Very likely ?1
- Fairly likely ?2
- Fairly unlikely ?3
- Very unlikely ?4
- Don't know..... ?5

Q7d In principle, would you consider switching if an alternative water supplier offered better retail services – that is meter readings (if you have one), billing, customer service and payment handling? [\[single code\]](#)

- Yes ?1
- No..... ?2 [Skip to 7f](#)
- Don't know..... ?3 [Skip to Q8a](#)

Q7e What sort of service improvements would encourage you to consider changing your water retailer? [\[DO NOT PROMPT, multi code\]](#)

- Better customer enquiry handling ?1
- No recorded messages..... ?2
- Shorter telephone wait times ?3
- Flexible ways of managing accounts..... ?4
- Smart meters ?5
- Single retailer / bill for all utilities..... ?6
- App to manage account..... ?7
- Better quality water ?8
- Better/more reliable supply..... ?9
- Easier/better contact with water/sewerage company..... ?10
- Better drainage/sewerage services ?11
- Easier/better payment method (e.g. Online billing, Direct Debit etc) ?12
- Green/other tariff options ?13
- Advice/information from company ?14
- A better price ?15
- Other (please specify _____)..... ?16

[\[Go to Q8a\]](#)

Q7f Why not? [\[multi code\]](#)

- Not important ?1
- Wouldn't believe it would be better..... ?2
- Would only switch to get a better price ?3
- Other (please specify _____)..... ?4

METERING, DISCONNECTIONS AND SOCIAL TARIFFS

Q8a Does your household have a water meter? [\[single code\]](#)

- Yes – chose to have a meter ?1 [Skip to Q9a](#)
- Yes – did not choose to have a meter..... ?2 [Skip to Q9a](#)
- No..... ?3
- Don't Know ?4 [Skip to Q9a](#)

[\[IF Q8a = 3\]](#)

Q8b If a new supplier offered you a better deal than your current supplier - in terms of price and quality of retail services – but as part of this deal you had to go on a water meter, would you be likely, or unlikely to switch supplier? [single code]

- Likely to switch because it is a better deal ?1
- Unlikely to switch because I wouldn't have a meter to get a better deal ?2
- Unlikely to switch unless I could have the meter taken out later if I found another supplier that allowed this ?3
- Don't Know ?4

Q9a At the moment, it's against the law for water companies to cut off or restrict the water supply to households which don't pay their water bills. Households are protected from disconnection by law because of the public health aspects of having a water supply. The cost of unpaid bills is spread across the bills of customers who do pay – on average, every customer pays an additional £21 to make up for customers who do not pay their bill.

If the policy on disconnections were reconsidered, would this make you more or less supportive about retail competition? [single code]

- More supportive ?1
- The same as before ?2
- Less supportive ?3
- Don't Know ?4

Q9b Most customers pay on time but some do not, which means some customers owe their water company money. Should customers who owe money to their water retailer be allowed to switch? [single code]

- Yes ?1 [Go to Q9c]
- No ?2 [Go to Q9d]
- Don't Know ?3 [Go to Q9d]

Q9c How much would someone have to owe to their water company before they are stopped from switching? [single code]

- Up to 6 month's worth of charges ?1
- Up to a year's worth of charges ?2
- No limit ?3
- Don't know ?4

All water companies currently offer a discounted bill for people in genuine financial hardship. The cost of this discount is paid for by other customers and typically adds less than £5 a year to the average bill.

Q9d If competition were to be introduced, should customers in genuine financial hardship still be able to apply for a discounted bill? [read out, single code]

- Yes -All companies should offer it ?1
- It's up to the company to decide ?2
- No -It isn't needed in a competitive market ?3

Q9e Should retailers in England all offer the same discounted bill scheme, or should they all offer different ones? [READ OUT, RANDOMISE ORDER OF FIRST TWO OPTIONS, SINGLE CODE]

- The same scheme – it’s simpler and would make it easier to switch..... 01
- Different schemes – some might offer better discounts than others 02
- Don’t Know 03

Q9f Should customers who are on a discounted bill scheme have to reapply if they change supplier, or should they automatically be transferred to the equivalent scheme offered by their new supplier?

- Customers should have to reapply if they change supplier..... 01
- Customers should automatically be transferred to the equivalent scheme 02
- Don’t Know 03

If competition were introduced, some water companies may decide not to take part and transfer their customer accounts to another retailer. Price and services would not be affected by this. Householders would not have any choice in the company their account was initially transferred to, but could still subsequently switch to a preferred supplier if they wanted.

Q10a Does this make you more, the same, or less, supportive of retail competition in the water industry? [single code]

- More supportive 01 [go to Q10ai]
- The same..... 02 [go to Q10b]
- Less supportive 03 [go to Q10aii]
- Don’t know..... 04 [go to Q10b]

Q10ai Why does this make you more supportive of retail competition in the water industry?

- Might make my bills simpler if it’s a company which already has an account for me.. 01
- The new company might be better at these services.....02
- It wouldn’t bother me as I’d switch away if I didn’t like them.....03
- Other (please specify _____).....04

Q10aii Why does this make you less supportive of retail competition in the water industry?

- I don’t want another company having my contact details without my approval..... 01
- Could make my bills more complicated/harder to understand..... 02
- Might be a company with no track record in the water industry.....03
- Might be a company that has had problems in the past.....04
- I want to stay with my current company as I’ve had no problems.....05
- I don’t agree with competition and don’t want this to happen.....06
- Other (please specify _____).....07

Q10b If your customer account was transferred to a new supplier – would this make you more, the same, or less, likely to consider alternative suppliers and/or change your supplier? [single code]

- More likely 01
- The same..... 02
- Less likely 03
- Don’t know..... 04

EXPERIENCE IN OTHER SECTORS

Q11 In the past 2 years have you switched:

- Your gas supplier 01
Your electricity supplier 02
Your telephone landline supplier 03
None of the above [single code] 04

BANKING & INTERNET USE

Q12 Which of these statements best describes the payment of your water bill? [single code]

- Always pay on time/have no problem 01
Sometimes pay on time/sometimes late 02
Usually do not pay on time/have a problem with payment..... 03

Q13 Do you pay any household bills by Direct Debit? [single code]

- Yes 01
No..... 02

Q14 How often do you use the internet for any purpose? [single code]

- I never use the internet 01 [Skip to Q16](#)
I use the internet less than once a month 02
I use the internet more than once a month but less than once a week..... 03
I use the internet more than once a week but less than once a day..... 04
I use the internet once a day or more 05

[IF Q14 = 2, 3, 4 or 5]:

Q15 Do you ever use the internet to:

- ... interact on social media or to email?..... Yes 01
..... No 02
- ... shop for clothes/food or do online banking?..... Yes 01
..... No 02
- ... buy your insurance, TV licence or decide your utility provider? Yes 01
..... No 02
- ... choose between services via online comparison websites?..... Yes 01
..... No 02

DEMOGRAPHICS

Finally, some questions to help us analyse the results of this survey. All your answers will be kept strictly confidential and not linked to your name and address.

Q16 How many people currently live in the household

Aged 17 or over WRITE IN _____

Aged 16 or under WRITE IN _____

Q17 Does anyone in the household have a long-term limiting illness or disability which limits their daily activities? [single code]

Yes 01

No 02

Would rather not say 03

Q18 What is the total annual income of your household (before tax)? [READ OUT ANSWERS, single code]

Less than £10,000..... 01

£10,000 - £19,999 02

£20,000 - £29,999 03

£30,000 - £39,999 04

£40,000 - £49,999 05

£50,000 - £59,999 06

£60,000 or more..... 07

Don't Know/Can't say/refused..... 08

Q19 Which of these best describes the working status of the chief income earner in the household? [READ OUT ANSWERS, single code]

Full-time employed/self-employed (30+ hrs a week) 01

Part-time employed/self-employed 02

In full-time employment/student..... 03

Waiting to take up a job 04

Unemployed/unable to work 05

Retired 06

Looking after the home 07

Other (please specify _____) 08

Q20 Which of these best describes the area where you live? [READ OUT ANSWERS]

Rural/in a village 01

On the edge of town or in a suburb 02

In a town or city..... 03

Q21 What type of accommodation do you live in? [READ OUT, SINGLE CODE]

- Owner occupied..... 1
- Private rental..... 2
- Council tenant..... 3
- Housing Association tenant 4
- Leaseholder..... 5
- Don't know/refused..... 6

Q22 Would you be willing to be contacted again in order to help with similar water industry research? Please be assured that this will only be for research purposes and your contact details will not be shared for use in any sales promotions.

- Yes..... 1
- No 2

Thank you very much for taking the time to answer my questions.

| | |
|---|--|
| RESPONDENT'S NAME: | |
| TELEPHONE : (INCLUDING STD) (ESSENTIAL) | |

Interviewer Name _____

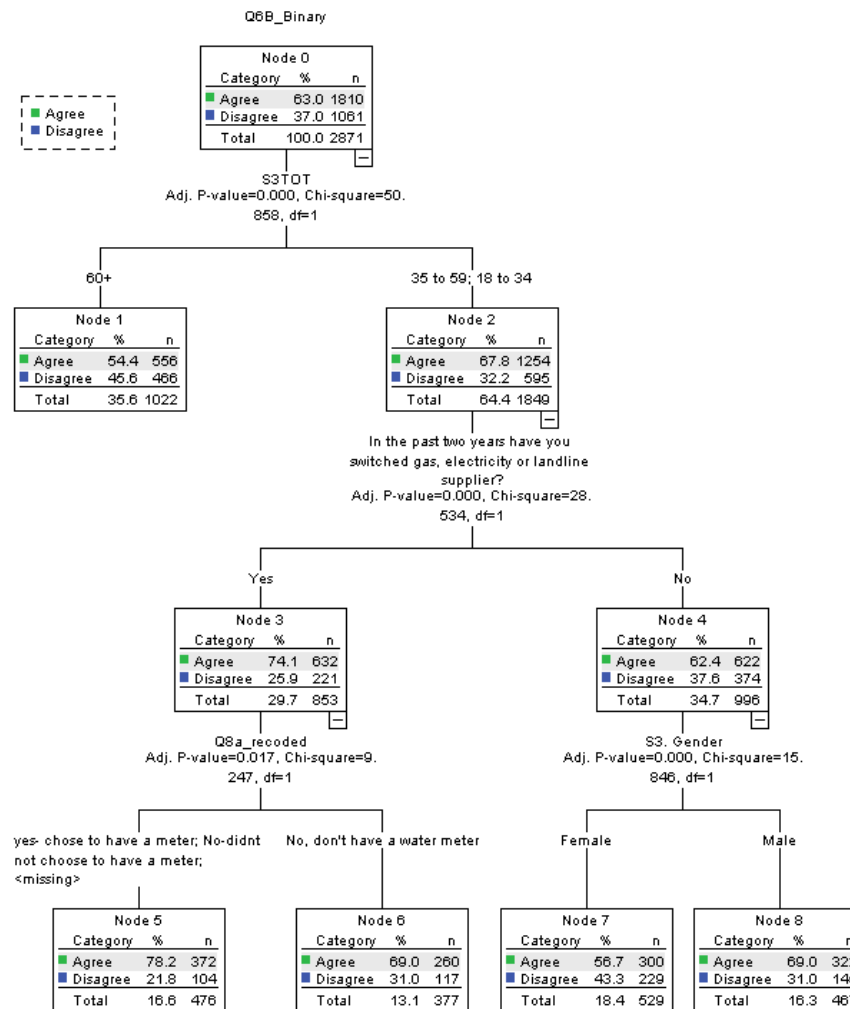
Time interview started _____

Duration of interview _____

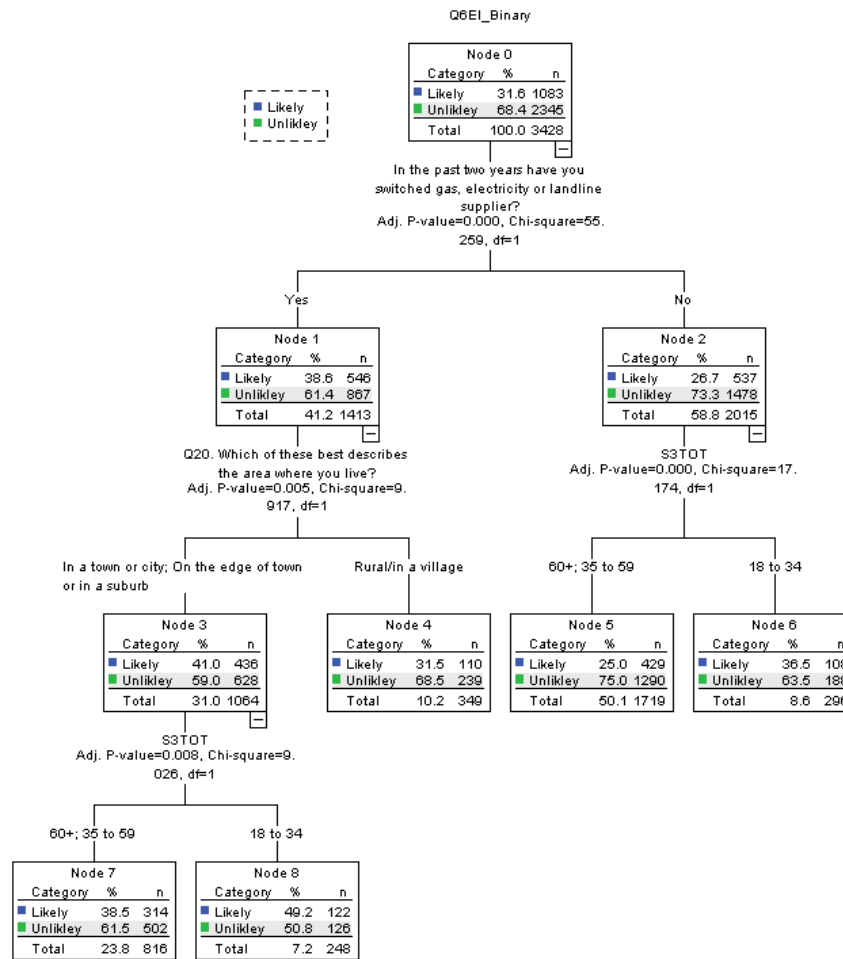
Date of interview _____

Appendix F

Please see separate spreadsheet for breakdown of results by region



There are 6 nodes (1, 2, 3, 4, 7, 8) that are statistically significant (p value ≤ 0.05) influencing factors of whether customers agree or disagree with competition in the water and sewerage industry.



There are 4 nodes (1, 2, 5, 6) that are statistically significant (p value= <0.05) influencing factors whether customers would be to likely or unlikely switch if they could save £4-8 a year on a bill of £389.