

Review of joint CCW/Ofwat Guidance for Quantitative Affordability and Acceptability Testing

Final Report

Prepared for CCW

Prepared by Dr David Pearmain

31 March 2025

Project No. 1670



The voice for water consumers
Llais defnyddwyr dŵr

All projects are conducted in compliance with the ISO 20252
international standard for market, opinion, and social research and
GDPR.

Contents

Review of CCW/Ofwat PR24 Guidance for Water Companies – Quantitative	3
1. Sample Selection.....	3
2. Weighting.....	4
3. Data Collection Method.....	5
4. Questionnaire Design and Implementation	6
5. Business Plan and Bill Presentation	8
6. Non-Household Customers.....	9
Areas for Consideration	10
1. Standardised Weighting.....	10
2. Consistent Stimuli	11
3. Customised Bill Values	11
4. WoC only plans and bills	12
5. Data Collection.....	12
6. Standardised Reporting	13
7. Additional questions	13
8. Timings	14

Review of CCW/Ofwat PR24 Guidance for Water Companies – Quantitative

This report assesses how successfully the main aims of the CCW/OFWAT PR24 Guidance¹, for affordability and acceptability, were implemented. Among the key aims of the Guidance were:

- **Comparability**, ensuring that CCW/Ofwat would get meaningful responses from water customers on the basis that they have a realistic picture of company plans.
- **Objectivity**, to minimise bias in the way business plans were presented to water customers, to avoid a more favourable picture than would be delivered in reality
- To improve **sample quality** – reducing the potential for bias through an over-reliance on online panels
- To make it as real as possible for respondents in **how potential future bills** were presented

The report draws on water companies' experience using the Guidance and considers potential improvements. It also draws on experience from CCW's Draft Determinations Research, 2024. An important theme running through this review will be the balance that the Guidance should aim to strike between giving prescriptive guidance on sampling and survey design so that results are comparable between companies and allowing companies the flexibility to gather more explanatory detail specific to their plans and regions.

1. Sample Selection

The Guidance provides detailed requirements for sampling both household (HH) and non-household (NHH) water customers. It specifies minimum sample sizes² and a certain level of stratification³, within which sample selection should be random. It also specifies that company customer lists should be used to source the sample, and this is linked to a 'push-to-web' field approach (or paper questionnaire on request).

Feedback from the Water Companies

The selection of survey sample from their own databases of customers was not usual practice for some companies, who found it to be a time-consuming process, particularly with the need to ensure compliance with GDPR and internal legal policies⁴. It was queried whether 'more agile' approaches should be considered, especially if the impact on the results compared to a sample drawn exclusively from customer lists could be shown to be minimal.⁵ There is a related issue regarding the time it can take to obtain a finalised version of the business plans, which in turn compresses the time available to conduct surveys.

Reviewer comments

The theoretical ideal for any customer engagement is a true random probability sample, where every customer in a company has an equal chance of being recruited to the sample. However, there are practical challenges when surveying these customers using 'push-to-web' and/or face-to-face interviewing: cost, time, how to best apply

¹ <https://www.ccw.org.uk/publication/acceptability-and-affordability-guidance/>

² 500 for HH customers; 100 NHH for WoCs and 200 for WASCs (50 for Hafren Dyfrdwy).

³. Proportional to each geographical area covered by a company and WoC/WASC combination; structured to be representative of groups that have lower response rates, such as low-income households; exclusions to be kept to a minimum.

⁴ Some also cited issues with gathering and structuring data in accordance with the Index of Multiple Deprivation (IMD), though this can, in fact, be a straightforward process using customers' post codes.

⁵ It is not clear what 'agile' refers to here, though it could be linked to the 'push-to-web' survey methodology as well as the sample selection.

exclusions, sending reminders and adjusting for variable response rates⁶. This means that some departure from true random sampling (where every customer has an equal chance of being recruited) will be required, as reflected already in the CCW/Ofwat guidance on sampling (stratification by geography and deprivation). The guidance for NHH is even more pragmatic, in recognition of the practical difficulties associated with recruiting these customers.

A concern for some companies seemed to be the amount of work required to extract the sample, whereas others were already geared up for this process. The suggestion here is that all companies should make it a priority to establish an efficient way to draw up representative customer lists, randomly select individuals and to recruit from them. However, as noted, the time it takes to obtain a final version of the business plan to present to customers can compress the available time for survey fieldwork, making quicker methods a helpful option.

A comparison of the benefits and risks of using customers samples in combination with supplementary sample sources, such as online panels, should be considered⁷. It is recognised that these other sources, while cheaper and quicker to implement, present methodological challenges in relation to the rigour and consistency with which participants are recruited. They also limit the scope for customising bills changes to individual consumers. Therefore, the use of customer lists and stratified random sampling should always be the recommended approach, but with some scope for using other methods when practical constraints apply, such as delays in the availability of final business plan information leading to compressed timescales. This could be further mitigated if guidance is issued sufficiently early in the process, allowing for more preparation time, and companies are given more guidance on when the final business plan needs to be ready for testing. So that the preferred approach takes precedence, it could be specified that the majority of the sample should be drawn from customer lists.

2. Weighting

Sample stratification and variable response rates are likely to require the data to be weighted to be more representative of each company's customer population. The general aim is clear: 'weighting should aim to compensate for differential levels of responses so that the estimates derived from the weighted dataset are representative of the population. This weighting should take account of, as a minimum, design weights based on selection probabilities, geographical areas, and index of multiple deprivation'⁸. However, some flexibility was allowed to companies in how they chose to weight the data. The challenge here is that, if substantially different weighting approaches are used, this potentially undermines the comparability of results across companies.

Feedback from the Water Companies

Although the process of weighting was felt to be straightforward by most companies, some felt that there was a lack of clarity regarding weighting methodologies. The guidance does not specify which target measures should be used. Most chose to use census information (though the target demographic attributes that we selected varied from company to company), while others used the known profile of their customer database. It was generally considered that this was an area where specific guidance would be valued.

Reviewer comments

This appears to be an area that would benefit strongly from more prescriptive CCW/Ofwat guidance, as inconsistency in weighting works against the comparability of results across companies. The requirement is to be more specific about how this is best implemented, to ensure consistency across companies as well as methodological rigour.

⁶ Company feedback: 'Whilst the push to web approach allows for a wider method of sampling, it is more expensive to undertake and requires a much longer length of fieldwork. There is also no ability to control quotas and response can be unpredictable.'

⁷ Such a mixed approach was used in CCW's recent Draft Determinations research.

⁸ Guidance, p29

CCW/Ofwat should therefore consider settling on one list of recommended target variables and prescribing acceptable weighting procedures⁹ but also to be mindful of not making the process too burdensome (i.e., avoid complex interlocking targets). For PR29, Census statistics will be almost a decade old (2021), so strategies for adjusting for this also need to be considered. Where companies have reliable demographic information on their individual customers, this might be a preferred basis for weighting¹⁰, but it also invites some inconsistency across companies.

Further guidance is also needed for Water-only Companies (WoCs) that have multiple wastewater suppliers. We suggest the approach used in the recent CCW Draft Determinations (DD) research¹¹, where targets based on the census were set for gender, age band and social grade set up for each of the 19 water companies. The census geographical areas were selected to give the best approximation of each water company region. Household connection figures were then used to weight company results as part of the total customer base for England and Wales. This meant that the final weight derived for each survey respondent could be used to report on combinations of WoC and Water and Sewage Companies (WaSC) (23 in total, where a WoC had more than 5% of the total customer base of a WaSC).

3. Data Collection Method

Linked to aims to improve sample quality and show respondents future bills based on their actual charges rather than the average household bill, the guidance requires a 'push to web' approach, where customers can be contacted either by post or email, if the latter is available. With a £5 incentive to participate, a 10% response rate was anticipated at the time that the Guidance was written.

Feedback from the Water Companies

About a third of companies felt that the requirement for a 'push to web' approach led to logistical challenges, including high costs and long field times. Variable response rates also made it challenging to meet quotas designed to ensure the representation of all customers. It was suggested that other approaches, such as telephone and computer-assisted personal interviews (CAPI) sampling, can be more cost-effective while still targeting more diverse and digitally excluded groups. Some also mentioned social tariffs and whether these were adequately represented in the research.

Reviewer comments

All survey methods present different challenges, and while the 'push to web' mail/email approach is a strong basis for drawing a stratified random probability sample, there are still shortcomings related to likely non-response biases. There are definite benefits in expanding the recruitment methods with telephone and face-to-face recruitment (with the latter interviewers call on household addresses, most efficiently with a laptop that enables the questionnaire to be completed there and then). Although these recruitment methods are more expensive than mail / email, they have the potential to boost response rates. They could therefore be used to target groups with a known low response rate. The use of a range of recruitment methods would boost customer participation and may be considered potentially more robust because it diversifies the different response biases. As this issue relates to how respondents are recruited to the same online questionnaire, we suggest that the mix of these methods does not need to be prescribed; the aim is simply to give companies as many practical field options as possible.

More debatable is the use of online commercial panels. As discussed earlier, these present significant cost and time savings relative to 'push-to-web' methods and proved helpful in achieving the necessary sample sizes within the required timescale for the CCW DD Research when the impact of the 2024 General Election greatly curtailed the time available for fieldwork. However, the online component limited bills to being shown as average values and a 'mode

⁹ For example, common practice is to restrict weights to being no larger than 3.0 or less than 0.5.

¹⁰ For example, CCW uses a bill payer profile for Water Matter conducted by DJS Research. The profile showed that the proportion of younger bill payers has increased, with the implication being that the survey does not represent the younger bill payer as well as it should.

¹¹ <https://www.ccw.org.uk/publication/draft-determinations-research/>

effect’ was identified regarding the differences in perceived affordability of business plans, once demographic differences were accounted for¹².

The way that bills are presented to survey respondents (current levels and future increases) is therefore linked to the sampling and data collection method. Customer lists allow bills to be customised to each respondent. In principle, customised bills are preferable to average bill values, as many customers may have bills that differ greatly from the average. However, the extra effort required to customise questionnaires to individual bills can only be justified if it is believed that customers’ responses to key questions on acceptability and affordability differ significantly as a result. There is some evidence that this might be the case¹³.

It is recommended that quotas are set to correctly represent the proportion of customers on social tariffs¹⁴. It should be possible for all companies, given sufficient time, to identify customer on social tariffs and to identify an appropriate annual bill amount. Typically, we might expect a fallout of some 50 respondents on social tariffs in a survey of 1,000, so if companies wish to consider this group in depth, booster samples will be required.

Regarding incentives, experience from the CCW’s DD research was that a £10 incentive for a postal/email approach to ‘push-to-web’ only delivered a 3% response rate. If enhanced with telephone and CAPI approaches, a higher response rate may be achievable, so an assumption of 5% or less is a reasonable expectation.

4. Questionnaire Design and Implementation

To ensure comparability between water companies, the guidance mandates a structured questionnaire for affordability and acceptability testing. It recognises that affordability is a complex topic that can be addressed subjectively and objectively. As a result, it prescribes several questions that cover a variety of different measures. In contrast, the acceptability questions are restricted to an overall view of the plan, its benefits, and associated bill increases. This is because the Guidance was written with a 15-minute questionnaire in mind, to encourage higher response rates and minimise cognitive overload. More detail on customer views of the different elements of the plan and how these relate to acceptability and affordability should therefore be sought in the qualitative phases of research, rather than in a longer quantitative survey. This again points to the value of having timescales that allow for sufficient learnings from the qualitative phases to inform business plans before they are represented to customers in the quantitative phases.

Feedback from the Water Companies

Some companies suggested that contradictions exist within the document regarding whether affordability should be assessed for water and wastewater services separately or combined, which in turn created inconsistencies in data collection and interpretation.

It was observed that the current affordability results obtained by each company do not appear to correlate with the actual bill increases, with the suggestion that other external factors influence customer responses, at least for some

¹² In CCW’s DD Research a significantly lower proportion of those surveyed using push-to-web (23%) said that affording their bill was ‘easy’ when compared to those surveyed from the panel (31%), but it is unclear to what extent this was due to the push-to-web sample seeing a personalised bill as opposed to the online panel sample saw an average household bill. The difference may also be attributable to the type of people who respond to ‘push-to-web’ versus those registered to a panel. No significant difference was observed regarding ratings of business plan acceptability.

¹³ See above note. Differences in acceptability and affordability verses different bills sizes have been observed in qualitative research, but potentially this is less evident in a quantitative survey where most bills sizes will average towards the median

¹⁴ In 2023, over 1.6 million households in England and Wales received support through social tariff schemes (<https://www.bbc.co.uk/news/articles/c2e71k08dxpo>). This is approximately 5% of all customers.

companies¹⁵. It was suggested that more questions could help identify these other potential factors, but these were not specified.

Reviewer comments

The Guidance indicates that companies should ask about affordability of the *combined* bill for water and for wastewater charges, even when the water and wastewater parts are charged by different suppliers. The rationale is that it is not realistic for a bill payer to say that they can afford one part of the bill and not the other. The Guidance does allow for companies to ask about affordability for water separately to waste water as a *supplementary* question at the end of the survey.

The concern from the company feedback is that among WoCs, some companies could use the combined bills while others could use the water-only bills, with the latter reporting higher levels of affordability, as might be expected¹⁶. The guidance on page 11 does discuss the potential for joint procurement to address the issue of separate WoC and WaSC, so the feedback would appear to relate to instances where this had not been possible. The question is therefore can WoC plans be fairly represented when assessed against combined bills, but when no WaSC information has been available to the survey. The handling of this would therefore benefit from further consideration.

The most desirable approach, particularly with the aim of promoting compatibility across companies, will be the presentation to customers of both water and wastewater services against a combined bill. With sufficient time and resources to prepare, WoCs should be able to work with their WASC to produce a combined representation of their business plans; in PR24 some companies were able to collaborate in this way and others were not. This may have reflected time constraints but might also reflect a need for some companies to plan collaboration earlier in the process. To assist this collaboration, the Guidance could require a more prescriptive use of stimuli templates and indicate an ideal timeline for sharing business plans, to produce stimuli that represent all water services for a region.

There may be a requirement for more guidance in this area with respect to the way the results are best analysed. Further subjective understanding of affordability may be derived from the qualitative phases. Further objective understanding may be obtainable through external modelling against known household incomes, potentially through the IMD classifications¹⁷. This could be extended to the use of other data sources to explore the potential relationship between perceived affordability over time and wider 'macro' indicators, such views on the cost of living, inflation, Gross Domestic Product (GDP) etc.

It should be noted that the current questionnaire already includes useful contextual questions relating to the context for affordability (eg Q1 – Q6). To address the issue of measuring factors beyond bill affecting affordability, there is an opportunity here to conduct driver analysis, in which bill increases and responses to these other questions are modelled as drivers of affordability. This would provide a fair basis for comparison across companies, where differences in customer perceptions of the ease of paying current bills, for example, could explain some of the

¹⁵ Evidence from the DD research suggests that there is in fact a strong relationship between affordability (NET top 2 box scores) and proposed % bill increases (Pearson's rank correlation of 0.78 – see CCW, 2024, DRAFT DETERMINATION RESEARCH, p 28). However, the observation from the company feedback is based on individual business plan outputs, and for these the relationship is weak (Person's rank correlation of 0.14). The variation in affordability may therefore be driven by differences in survey and data processing methods rather than unidentified factors.

¹⁶ Feedback from the water companies: 'Wider comparability of affordability scores was compromised, as some water-only companies were able to provide their water-only scores (rather than their combined water and waste affordability scores, because they do not jointly bill). Understandably, those companies received and submitted higher and incomparable results to WOCs that had to submit combined scores.'

¹⁷ Again, analysis of the DD research identified a strong relationship between affordability and bill increases defined as a percentage of reported incomes (Pearson's rank correlation of 0.82)

differences across plans. A similar approach could also be taken for acceptability, to identify explanatory factors beyond bill increase.

This approach would allow researchers to measure the impact of bills on affordability within a wider societal context. Comparisons with other utilities and services may also help to place perceptions in a wider context; this may also help to determine if the absolute proportions of customers accepting the plans are reflective of a general shift in perceived affordability outside of the water sector.

The references to social tariffs and their adequate representation are another argument in favour of using customer lists, where details of the individual bills should be available (though the way this is recorded appears to vary across companies).

5. Business Plan and Bill Presentation

CCW/Ofwat stated that ‘one of the key aims of the affordability and acceptability guidance is to ensure that it is not only comparative, but that the research delivers meaningful results. To achieve this, research materials must be easy for respondents to understand and engage with’¹⁸.

Feedback from the Water Companies

Water companies experienced difficulties in aligning the prescribed business plan format with the survey stimulus. Despite the comprehensive guidelines¹⁹, some companies still struggled, particularly in relation to mobile-friendly formats, finding it challenging to present bill impacts and key performance commitments concisely. The provision of template for a one-page business plan summary would be helpful.

There were also concerns about how to handle changes to the plan, for example, because of changing Government guidance. Some of this related to the timing of the research—often, the results came in too late to influence the final plans.

Reviewer comments

It is clearly important that the next round of PR29-related research begins earlier and that the updated guidelines remain consistent once the process is fully underway. For PR24, CCW/Ofwat ran out of time to pilot/test the stimulus or to develop an intuitive business plan on a page that conveyed the important information that customers want to know. However, water companies did test stimulus before they conducted their research.

Where companies are concerned that the plan may be changed from the version they present in the A&AT, it could be advisable to test more than one version with different matched samples of customers, though it is appreciated that this will increase the costs and/or reduce the amount of sample behind each version. There could also be scope to include an additional, relatively simple price sensitivity question (e.g., the Contingency Valuation Method or Van Westendorp/PSM) to observe how acceptability and affordability vary as a function of bill increase.

Another issue relates to how much context information can and should be provided. As customers are not experts in the water industry, their perception of the acceptability of a business plan will not be informed against some absolute notion of quality. It seems more appropriate if they can at least understand how their suppliers compare relative to other water companies, and potentially to other utility sectors. Counter to this is the need to keep the amount of information to a practical minimum.

¹⁸ Affordability and Acceptability testing queries and responses – 6th September 2023, p26.

¹⁹ <https://www.ccw.org.uk/publication/acceptability-and-affordability-guidance/> - Guidance for water companies: principles on setting out comparative company performance data.pdf

A reasonable approach is therefore to present simplified company performance metrics in league tables, showing the ranking of a customer's supplier relative to all other water companies. An example is given below²⁰.

Company	PERFORMANCE	
	Sewage flooding inside properties (number of properties flooded by sewage for every 10,000 properties connected to the public sewer)	
South West Water including Bournemouth	0.63	<p>Better Performance</p>  <p>Poorer Performance</p>
Dŵr Cymru Welsh Water	1.14	
Northumbrian Water	1.21	
Wessex Water	1.31	
Hafren Dyfrdwy	1.38	
Severn Trent Water	1.65	
Anglian Water including Hartlepool	1.69	
Thames Water	1.91	
Southern Water	2.25	
United Utilities	2.32	
Yorkshire Water	2.67	

Even simpler graphics could be considered, such as 'traffic light' coding for each company performance measure. Instead of showing numbers, Ofwat ratings of 'Poor', 'Average', 'Good' could be shown, but with the rank order still in line with the actual numbers. The use of 'hover-over' text could also be helpful here, where respondents can click on an information icon in the online stimuli to access more detail on the topics of most importance to them.

6. Non-Household Customers

There was no direct feedback in relation to non-household customers and the Guidance is reasonable in not being prescriptive, only requiring minimum sample sizes. However, there may be scope for making it clear that the profile of the sample in terms of company size and broad sector of operation is reflective of a company's non-household customer base. Typically, this will comprise mainly Small to Medium Enterprises (SMEs); large customers may be best covered by the qualitative phase, because of the generally low numbers and recruitment expense.

²⁰ CCW, 2024, Draft Determinations Research

Areas for Consideration

1. Standardised Weighting

The Guidance

Provide explicit instructions on a **consistent weighting methodology**, based around recommended Census measures, to improve comparability across companies. Our recommendation is to use gender, age and IMD classifications as target criteria, and apply standard Random Iterative Method (RIM) weighting²¹. If reliable target information is not available for IMD, this can be substituted with Socio-economic grade as defined in the census.

If a company already has reliable information on any of these target variables in their customer lists, this is a potentially more accurate basis for weighting (not least that it might be more up to date than the census). Our suggestion in those cases is that two alternative weighting schemes are created (v census and v known customer profiles) to test if the difference is significant. If it is, only then should the customer profile approach be used over the census approach.

The target values should reflect the mix of WoC/WaSC suppliers where applicable, when a WoC represents at least 5% of a WaSC's customers. No individual respondent weight should exceed 3.0 or be less than 0.5.

For discussion

If quota sampling is used to boost certain groups, e.g. vulnerable customers and ethnic minorities, these will need to be weighted down accordingly, again using census data where available. In such instances, a weight of less than 0.5 will be acceptable.

CCW/Ofwat could consider creating **pre-designed weighting models**, populated with the target data derived from the Census. This would comprise grids of target proportions for each company, but also potentially broken down in more detailed geographic sub-regions, approximating as closely as possible to the water companies' regions. An example of the top-level targets used in CCW's DD Research are shown here:

CENSUS 2021 Row %	GENDER		AGE						SEG			
	Female	Male	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE
Affinity Water	48%	52%	10%	18%	18%	17%	15%	22%	27%	33%	19%	21%
Anglian Water including Hartlepool	45%	55%	11%	15%	15%	16%	17%	26%	25%	31%	21%	23%
Bristol Water	48%	52%	10%	15%	15%	16%	17%	28%	28%	34%	22%	16%
Cambridge Water	48%	52%	9%	16%	16%	17%	16%	25%	24%	30%	21%	25%
Dŵr Cymru Welsh Water	48%	52%	10%	15%	15%	16%	17%	27%	21%	30%	23%	25%
Essex and Suffolk Water	48%	52%	10%	18%	18%	17%	15%	22%	27%	33%	19%	21%
Haffren Dyfrdwy	48%	52%	11%	16%	15%	16%	16%	25%	22%	30%	23%	26%
Northumbrian Water	48%	52%	11%	15%	15%	16%	17%	25%	21%	28%	22%	29%
Portsmouth Water	48%	52%	10%	16%	17%	17%	16%	25%	26%	36%	20%	18%
SES Water	50%	50%	11%	19%	18%	17%	15%	20%	28%	35%	18%	19%
Severn Trent Water	48%	52%	11%	16%	16%	17%	16%	24%	24%	31%	22%	23%
South East Water	48%	52%	10%	16%	17%	17%	16%	25%	26%	36%	20%	18%
South Staffs Water	48%	51%	11%	17%	16%	17%	16%	24%	22%	30%	22%	26%
South West Water & Bournemouth	47%	52%	10%	15%	15%	16%	17%	28%	28%	34%	22%	16%
Southern Water	47%	52%	10%	16%	17%	17%	16%	25%	26%	36%	20%	18%
Thames Water	52%	48%	11%	19%	18%	17%	15%	20%	28%	35%	18%	19%
United Utilities	50%	50%	11%	17%	16%	17%	16%	24%	21%	33%	20%	26%
Wessex Water	48%	52%	10%	15%	15%	16%	17%	28%	28%	34%	22%	16%
Yorkshire Water	48%	52%	11%	17%	16%	17%	16%	24%	21%	29%	21%	29%

²¹ RIM (Random Iterative Method) weighting is a statistical technique used to adjust survey data, to ensure it accurately reflects the characteristics of the target population.

If introduced early enough, these target data can also be used to guide the survey recruitment, where companies will aim to recruit customers in proportion to their incidence. Companies also can also challenge the values if they believe they have available more accurate data on their customers.

2. Consistent Stimuli

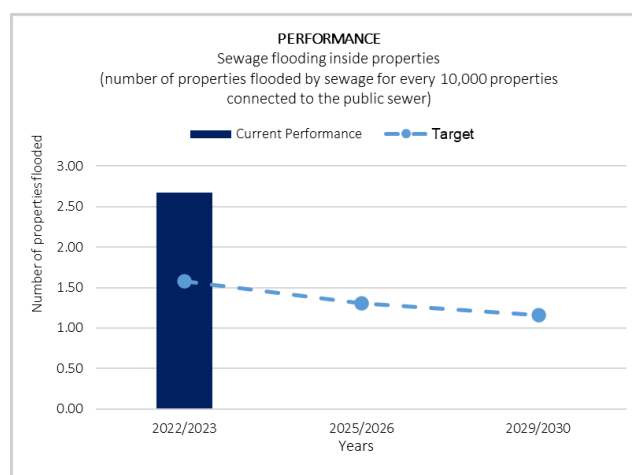
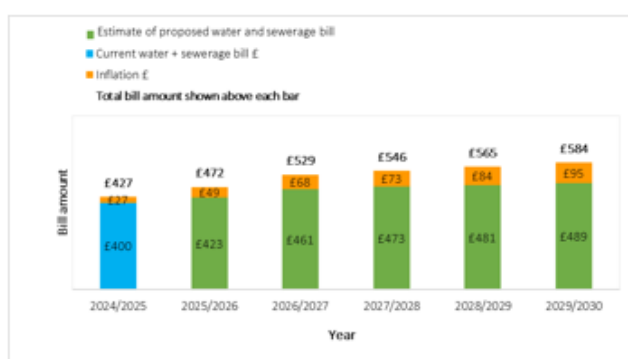
The Guidance

Provide **standardised templates for business plan summaries and survey stimulus** to ensure consistency across companies. All such materials must have been cognitively tested in advance.

For Discussion

The Guidance could create templates based on examples that worked well in the CCW DD research, eg:

CHANGES FOR THE AVERAGE HOUSEHOLD WATER AND SEWERAGE BILL IN YOUR REGION / TO YOUR WATER BILL



It may also be helpful to show **average water bills in relation to other average utility bills** for a company's region (energy, council tax, internet) so as to place customers' assessment of water bills in a broader context. This approach could also apply to other company performance measures, but this will add to the survey complexity and potentially increase cognitive overload.

3. Customised Bill Values

The Guidance

Using the 'push-to-web' approach and drawing from information held by the companies for each customer, **the bill values presented in the survey should be customised to their most recent annual bill**. Those on social tariffs should be identified and the bill represented in terms of what they personally pay.

For Discussion

There is some evidence that the use of customised bills could give a different survey result when compared with average bills (see earlier discussion), particularly for those customers with bills very far from the average (eg on Social Tariffs). As mentioned earlier, analysis of the CCW DD research results indicated that there could be an effect on the results for perceived affordability (though this is potentially confounded with a wider mode effect). Further analysis indicated that the affordability ratings from low-income groups had a weaker relationship to bill increases when compared with all other groups, suggesting that the likely higher instance of social tariffs in this group may have confounded their responses (i.e. all saw a full bill, but some may have factored in the social tariff and some may not). Given the extra work involved in providing customised values for respondents, it would therefore be helpful for CCW and/or Ofwat to conduct some additional **comparative work** on this.

4. WoC only plans and bills

The Guidance

With the current different options discussed on pages 10 and 11, there appears to be scope for ambiguity regarding WoCs. For all companies, bills should be for WoC/WASC combined (as stated in the guidelines), but the results relating to acceptability and affordability are dependent on whether WoCs are able to fairly represent the plans of the WaSCs that serve their area. If it has not been possible to represent WaSC plans, **WoCs should still represent the increase in terms of costs related to WoC activities, relative to the total WoC/WaSC bill**, so that the base for comparison is consistent for all customers across all companies.

For discussion

There may be some **scope to adjust the results for WoCs** that only showed WoC-related business plans to survey respondents, using the overall results obtained separately by the relevant WaSCs. This would require an analysis of the extent to which WoC and WaSC elements of plans that had both contributed to overall acceptance and affordability. These results could then be applied to separately tested WoC and WaSC plans to create a weighted value²².

5. Data Collection

The Guidance

Provide guidelines for handling **customer data, exclusions, and GDPR compliance**²³. Continue to **require the 'push-to-web' approach as the preferred method** but allow a broader range of methods for recruiting customers from customer lists to an on-line survey link: not only postal and email, but also telephone recruitment, and face-to-face interviewing. With a 'push-to-web' approach, companies should aim for a **minimum 5% response rate**.

For Discussion

If timelines become compressed, recruitment from commercial panels should be allowed as a pragmatic solution, but only up to a reasonable proportion of the final sample. We suggest a maximum of one third of the sample, so that the 'push-to-web' approach is the dominant component.

Whichever mix of recruitment methods is used, it increases the scope for inconsistency across companies and potentially reduces the comparability of results. To this end, the Guidance should therefore specify that **all the versions of 'push-to-web'** (postal/email/telephone/face-to-face) should always be used, drawing from lists of similar length for each method (unless there is evidence that a lower response rate for one type of recruitment method requires a longer list to achieve comparable final numbers of responses).

²² For example, if a WoC business plan achieved 70% acceptance for bill increases related only to the WoC elements, a separate study by the relevant WaSC business plan achieved 60% acceptance and analysis showed that WoC and WaSC plans each contributed equally to the overall acceptance, the final figure would be calculated as 65% ($0.7 \times 0.5 + 0.6 \times 0.5$).

²³ We suggest that the procedures agreed in the DD Research are suitable for this.

6. Standardised Reporting

The Guidance

There is a lot of discretion around how companies are required to report the findings from their research. This presented something of a challenge for a centralised analysis when the format and content varied widely between companies.

For Discussion

If Ofwat/CCW need specific data and other information from the reports which companies produce, this needs to be specified in the guidance and would ideally be accompanied by suitable templates. Beyond these common elements, companies could then add to the report as they choose.

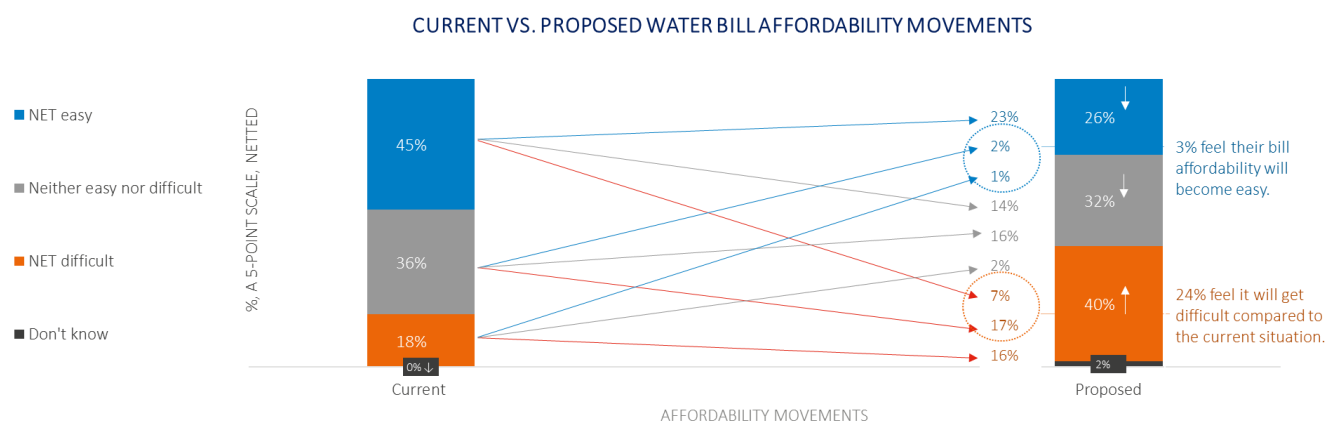
7. Additional questions

The Guidance

The current recommended set of questions related to acceptability and affordability allow respondents to give some insight into their overall ratings. Additional questions offer the opportunity to deepen companies' understanding of their customers, but this always needs to be balanced against the effect on survey length, cognitive load and response rates. Companies should therefore look to **incorporate findings primarily from the qualitative phase** to add depth of understanding to their analysis quantitative results.

For Discussion

Additional questions that could be added include customers' disposable income and the amount of spend on all utility bills, to provide context to the water bill increases. It is also helpful to test how acceptability and affordability compare for current bills v future bills, so that there is more context on how bill value influences these measures. This example from the CCW DD Research summarises the shift in affordability with revised bills.



Arrows next to the numbers mark significant differences between Current & Proposed affordability. ↑ = significantly more ↓ = significantly less on a 95% confidence level.

Consideration could also be given to adding **price sensitivity questions** (eg using the Contingent Valuation Method) to observe how perceived acceptability and affordability vary with higher bill increases. The practical constraint is that these all add to the questionnaire length and might therefore point to the value of a separate affordability survey, linked to the PR29 business plan survey through the main overall acceptability questions.

8. Timings

CCW/Ofwat recognise that one of the most important learnings from PR24 is that water companies need sufficient time to properly implement the Guidelines. This is reflected in their desire to improve the Guidance and make it available to companies for due consideration early enough in the PR29 process. For their part, water companies need to be planning further ahead regarding the more time- and resource-intensive aspects of the program. These include the compilation of customer lists suitable for random sampling and the finalisation of the plans in sufficient time to test stimuli and conduct the survey fieldwork and analysis. It is also recognised that some elements of business plans are not evident to water companies until late in the process (e.g. some of the statutory elements).

Whatever the challenges, each company must test the fully formed version of their business plan that is due to be submitted to Ofwat. Where timings and budget allow, they should consider testing partially developed elements of the plans earlier on in the process, where there may be scope to conduct small scale quantitative or limited qualitative work.