



Review of PR24 guidance for Qualitative Affordability and Acceptability Testing

Report for CCW

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The voice for water consumers
Llais defnyddwyr dŵr



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1. Background and objectives

The Acceptability and Affordability Testing (AAT) research guidance was developed by CCW and Ofwat, who collaborated for research and engagement for the 2024 price setting process (PR24). It was developed for water companies to use to test customers' views of their draft business plans. The guidance sought to ensure that the research methodologies used were appropriate, consistent and delivered actionable outputs. The guidance can be found [here](#).

This report provides a preliminary review of the PR24 Acceptability and Affordability guidance – focusing solely on the qualitative aspects. The review takes place at a time of change in the sector, with intense scrutiny on company performance and how the industry is monitored. New legislation will feed through into all aspects of the industry, including the role of consumer engagement, and specifically how acceptability and affordability testing evolves. This report aims to inform Ofwat and CCW in setting future guidance, while acknowledging that this central research process in the price review cycle may be subject to change.

Specifically, this review aims to consider:

- Whether other approaches would be as, or more, effective in meeting the core goals for AAT research
- Whether the guidance should be more, or less prescriptive than in PR24, without compromising the quality of comparability of the final research outputs
- Where research methodologies and materials could be improved to strengthen customers' input into business planning – including specifically customers' ability to make informed decisions about company plans

2. Introduction

The guidance was first published on 13 December 2022, at a time when some companies were already in the process of procuring research agencies to conduct this work. Once into the detail of the guidance, companies and their agencies requested clarification – a number of changes were made following feedback from and in consultation with companies. The final revised guidance was published on 16th March 2023.

Shortly after the draft business plans had been submitted (October 2023), CCW circulated a short questionnaire to all water companies on how they had found working with the guidance. In total, 14 of 16 water companies responded – often with the input of their research agencies.

Generally, companies said that they were able to follow the guidance, with some challenges (that are described below). It was helpful to have guidance for Acceptability and Affordability Testing following previous price reviews where there had been uncertainty about regulator expectations.

As we will see from this review, the company feedback mainly related to the closely prescribed aspects of the qualitative stimulus materials:

- The **pre-read material** required a series of charts and tables to communicate comparative performance data following a prescribed approach illustrated in a supplementary document
- The **'plan on a page'** required companies to encapsulate their business plan *'ideally on one page...to be used as a quick reference overview of the business plan, to show people how it all comes together. It should be in a concise and engaging format.'* [p.23] Many companies reported how difficult this was to achieve

- Companies found it difficult to define a **least cost 'must do' plan and 'proposed' plan**. The guidance set out that it *'is important that research participants understand which parts of the business plan are discretionary and which parts reflect what a company must deliver to carry out its statutory functions. Correspondingly, it is important that customers understand the amount of the proposed bill that relates to discretionary company proposals.'* [P8]
- For **jointly procured AAT research** (where the research covered the plans of both water-only and water and wastewater companies where they share customers), following the guidance had additional challenges
- Preparing **bill impact charts** for each individual participant using customer billing data was challenging and very time-consuming


The more fundamental issue, however, related to the timing of releasing the guidance. While its publication was timed to meet the procurement timetables shared by companies, it nevertheless left very little time for companies to make proper preparations – such as preparing for large data extractions for sampling purposes and modelling bill impacts against the guidance.

This review is the starting point for addressing the issues and lessons learnt, building from the experiences of applying the guidance for PR24 AAT – with the intention that updated guidance can be issued significantly earlier in the PR29 business planning cycle.

3. Did the guidance achieve its aims?

The following table provides a summary evaluation of the guidance, drawing on the views of the companies via the feedback surveys, discussions with Ofwat and CCW and from the practitioner viewpoint.

OBJECTIVES OF THE GUIDANCE	EVALUATION
TO BE SUITABLE FOR DIFFERENT WATER COMPANIES TO TEST CUSTOMER VIEWS ON AFFORDABILITY AND ACCEPTABILITY OF THEIR PROPOSED BUSINESS PLAN	<p>The suitability of the guidance was questioned in one key respect: implementing jointly procured research. The companies who found the guidance easiest to follow were also those not needing (or choosing) to design the research to canvas jointly served customers.</p> <p><i>'Ideally, affordability and acceptability research would present the whole business plan and the whole bill to customers regardless of their supply arrangements.'</i> [p11]</p> <p>Joint plans were complex to manage under the guidance, specifically:</p> <ul style="list-style-type: none"> • When merging data for single service customers within a joint procurement framework, the GDPR element took a long time to sort out between companies and then between companies and their research agency. • Designing a 1-page plan was challenging – at a practical level of combining two plans on a page; but also, how to manage duplicate investment areas which did not relate to supply or waste e.g. Net Zero investment • Merging customer billing data to create individual bill profiles was also challenging and very time-consuming <p>The guidance focussed on the importance of showing customers the whole bill impact, working to the principle that this reflects the real-world experience for customers (who are mostly jointly billed). The pre-task materials, including the</p>

 <p>Partially successful</p>	<p>simplified plan on a page, followed this one-plan approach while guidance on the structure of the deliberative events allowed for participants to see all components of the plan, rotating the running order to give each company's plans (water and waste) equal exposure. This meant that agencies could provide qualitative analysis that related to each company's part of the plan.</p> <p><i>'This approach would need to ask about the affordability of the whole bill impact and the acceptability of the combined plan before testing the acceptability of the water and wastewater plans individually. Consideration should be given as to whether the water and wastewater plans, when shown individually (after the combined plan), should be rotated across the sample.'</i> [p11]</p> <p>There was a final issue that added complexity to applying the guidance to joint plans:</p> <p>The prescribed post-task¹ did not accommodate separate questions on bill impact for water-only and sewerage-only parts of the business plan. This 'one plan' approach meant companies could not determine how customer responses to the post-task questions related to their part of the investment plans – water or waste. In future guidance, any prescribed supplementary tasks should be joined up with the main guidance – in this case making it possible diagnostically to identify the drivers for acceptability and affordability from the post-task. There is no other evidence to suggest that any companies or types of companies (e.g. smaller companies) found the guidance unsuitable.</p>
<p>TO PRODUCE OUTPUTS THAT WOULD BE ACTIONABLE FOR WATER COMPANIES TO REFINE THEIR DRAFT BUSINESS PLANS AND/OR FEED INTO FURTHER QUANTITATIVE RESEARCH USING THE QUANTITATIVE AAT GUIDANCE</p>	<p>Most companies said they were able, at least partially, to use the qualitative research to refine their plans prior to the quantitative survey.</p> <p>This aim, however, was seriously compromised by a number of things: the timing of the guidance in relation to submission; that companies did not necessarily have all the information ready to feed into the testing - especially for costs around discretionary spend; that the guidance only allowed for part of the business plan to be considered.</p> <p><i>Whilst we agree with the decision of the three common PCs being the most important priorities to customers, as supported by our own priorities research, there remains a disconnect to being able to say that this research approach enabled rounded feedback from participants to be gained. There was not the opportunity to go into any real depth in areas like: partnering with other organisation to deliver improvements, use of innovation to shape future plans, education initiatives to reduce water consumption within households and businesses. [Feedback survey]</i></p> <p>On the specific point that the qualitative research did not show the whole business plan (this was explained to research respondents as part of the informing process²)</p>

¹ The qualitative guidance included a prescribed post-task questionnaire that each participant completed individually at the end of the deliberative event. This was a useful device to achieve clarity on individual reflections on the acceptability and affordability of the plans and provided comparable affordability and acceptability scores (albeit this was qualitative research) across companies.

² The following text was used in the pre-task introduction: *We are now going to show you how well your water and/or sewerage company is doing on some of their performance commitments, compared to other water companies in England and Wales. These performance commitments are a snapshot of the wide range of services companies provide. We are showing these examples as customers have told us they are particularly important to them.*



Partially
successful

it should be noted from a practitioner's perspective, there was no challenge from participants that they were not seeing plans in their entirety. Indeed, the approach taken (limiting the number of PCs, and prioritising the plan enhancements driving bill increases) worked well to manage the amount of information shared with consumers.

The guidance (paraphrased here) stated that:

A proposed business plan should go through one round of testing (qualitative followed by quantitative) with refinements of the plan ahead of the quantitative phase. Any material changes should go through a second round of research, also following the guidance. [p7]

- Plans, and what was required of companies, were still evolving when the guidance was issued - indeed companies fed back that discussions with Ofwat were ongoing. This made it hard to provide bill impacts with any level of accuracy:

'From a company viewpoint producing this number to a level of accuracy which we were satisfied with was difficult due to evolving nature of the Plan reflecting ongoing discussion with regulators.' [Feedback survey]

- Consequently, many companies (as far as we know) did not complete more than one round of testing – either because customer feedback did not lead to 'material' changes; or as some companies pointed out, the research did not cover the whole plan, so they were only able to amend the part of the plan covered in the research.
- From an agency perspective, plan details were not ready in good time for the research – with companies still working on cost models and defining discretionary and mandatory plans during the research design stage – and even between the qualitative and quantitative stages - putting pressure on the lead time for stimulus development.

The time pressure ahead of the qualitative AAT research also meant it was difficult for companies and their agencies to provide customers with a coherent story about the overarching plan intent. Instead, the plans, as they appeared to consumers, reflected a disparate set of investments.

"As companies and their agencies started to test the materials – and provide feedback – the guidance changed at least twice. The implications of late changes were significant with many dozens of pieces of stimulus per company – with revisions required across written and audio versions for HH, NHH & VUL" [Company feedback]

NB the guidance did say that companies would not be required to repeat testing if they had already started fieldwork before a guidance change. But for some companies, there were changes that came through shortly before fieldwork started meaning that materials already created had to be changed.

TO INTRODUCE
CONSISTENCY IN
THE APPROACH
TO LEVEL THE

The principle of contextualising the research consistently largely worked. The guidance provided content detail and much of the wording for the pre-read material. Companies followed the guidance in terms of the order of presenting information and the number of enhancements tested.

PLAYING FIELD
BETWEEN
COMPANIES AND
ENSURE THAT
CUSTOMER VIEWS
WERE NOT OVER-
INFLUENCED BY
COMPANY
SPECIFIC
APPROACHES



Mostly
successful

The review has shown that there were some inconsistencies which may have had a material effect on consumer responses.

Plan on a page: this was a key requirement, but companies used different approaches with gaps in information – and some companies did not produce one at all.

'This should be in an engaging and accessible format. It will show the proposed business plan performance levels for the common performance commitments. [...] Where the discretionary proposals are in addition to a statutory 'must do' requirement, it should be as clear as possible where the dividing line between the two is. It will also include up to six proposed service enhancements that are the biggest drivers of changes in bills and where there is flexibility in when and/or how they are delivered so that the bill impact can be spread in different ways from 2030 – 2050.' [P41]

- Some presented the 'proposed' and 'must-do' plans on separate pages, while others were shown side-by-side.
- Some incorporated the long term (2050) goals as well as the 5-year plans – others did not.
- Some expressed individual investments with bill impacts, others showed the investments with the actual cost (in millions of pounds).
- Some showed the annual and monthly bill impacts with inflation; others omitted inflation.
- Some were professionally designed; others had limited design input.

"The pre-task materials were largely prescribed. However, this included complex information, and it was not clear enough about how it should look (the PC charts were not appropriate for a pre-task document). Its length was also problematic, and it was apparent that many respondents had not engaged with it in any detail, or were unable to understand it well enough to properly meaningfully engage with it." [Company feedback]

"Ultimately the pre-task materials were not engaging enough. It would have been more manageable and easier to follow if a template had been provided for water companies to slot their information into. The 'plan on a page' was, in particular, very difficult to develop. Audio/visual versions were incredibly time consuming to produce – and there was no guidance on how to commentate the PC slides which comprised charts and tables." [Company feedback]

Choice of service enhancements: Companies could choose the six areas of the plan where customers could have maximum impact – either in terms of bill impact and/or the phasing options for delivery. It is unclear whether companies followed this guidance (some elements tested had smaller bill impacts than might be expected for one of the six most significant drivers of bill increases) – and therefore whether there was consistency in the approach.

Sample and methodology: this was not stipulated as closely in the guidance; for instance, companies could choose whether they used online or offline

PROVIDE
SUFFICIENT
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HELP PEOPLE
CONSIDER
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A ROUNDED WAY

Partially
successful

approaches; and while minimum sample sizes were stipulated, companies could increase these as appropriate. Consequently, companies used different methodologies which may have had an impact on e.g. the depth and detail covered with respondents.

The guidance stipulated that all participants rated their experience as part of the post-task exercise. An analysis of how customers rated the experience by the methodology used (online, offline, a mix of both, reconvened etc.) could inform future guidance – however, these materials have not been available for inclusion within this review.

The purpose of the guidance was to provide consumers with objective information about the industry and about their companies' performance. The information was delivered via the highly prescribed pre-read document – and the moderator-led stimulus materials used during the fieldwork.

The **pre-read material** was over-complex. The comparative performance information was often inaccessible, requiring research participants to interpret what the charts were saying to determine where their company needed to improve. Where a company's performance was out of step with the industry, the prescribed content did not allow for explanations for why this might be.

- The industry feedback revealed some gaps in the context provided to consumers, namely:
 - Why is the industry structured as it is, and not under government control?
 - Why are bills used to fund investments? Why are investments not funded from profit or borrowing?
 - Why do companies perform differently?
 - How does Ofwat set targets?
 - Visibility of the historical levels of investment.
- Details in the **performance commitment information** sometimes looked illogical e.g. in the example above, how can a company that is not achieving a current target now set the same future target, while proposing no investment (£0 bill impact) without an explanation to make any sense of this.

Water co proposes an investment plan for 2025-30 to start to meet its long term goals.							
The proposed commitments to improve on the key performance areas							
			TODAY's performance	Target 2025		Target 2030	What this will add to your bill
Supply interruptions		Average time without water per household	13.7 mins	5 mins		5 mins	£0

- Companies were keen to include information about their **social tariffs** as part of the context information provided to research participants, however this was not part of the guidance due to concerns that this could present a more positive impression about the safety net available to low-income households – when there are still many eligible households still unaware of bill support options.

TO INCLUDE KEY MEASURES THAT ARE COMPARABLE ACROSS WATER COMPANIES AND BETWEEN ITERATIONS FOR KEY MEASURES – ACCEPTABILITY OF SERVICE PROPOSALS AND AFFORDABILITY



Mostly successful

Consistent question wording was used to measure both the acceptability of the proposed and must-do plans, and the affordability of the bill impacts for each plan.

The **acceptability** measure is uncontroversial as a 4-point scale question, plus a 'don't know/can't say' option. A follow up question for those finding the plan unacceptable worked to reveal the drivers of dissatisfaction with the plan.

The **affordability** question was a 5-point scale (very easy to very difficult, with a neither/nor at the mid-point, plus a 'don't know'). Some respondents will have answered this literally i.e. they would find it difficult to pay the bill as shown, while others would answer based on their willingness to afford the bill shown.


Respondents were shown a 5-year trajectory for the bill impact, with an inflationary uplift shown clearly. While this element of the guidance was closely followed, some companies added detail such as the total bill above each bar; or other additional details to help respondents interpret the chart.




The time and effort required to provide participants with individual bill impact charts was considerable. This was a key enhancement from previous price reviews where the acceptability and affordability of plans was based on average bills – a much less meaningful measure, reflecting a figure unlikely to relate to anyone's actual bill. Anecdotally, within a single group discussion, the variation in bill amounts was as much as £500, underlining the importance of measuring affordability against individual bills. This tailoring was very important for low-income customers. It meant that their stimulus materials were not based on unaffordable amounts (which has historically been the case when testing average bill amounts and can be deeply distressing and alienating for the participants involved) and that their trade-offs were therefore much more meaningful.

The company feedback shows that research agencies usually created a formula to generate 5-year bill profiles accurately, based on bill data cross-referenced from company lists. There were challenges with delivering this part of the guidance:

- There was not enough clarity around the treatment of inflation. Specifically, it was not made sufficiently clear what constituted the 'current bill', whether it was to be based on the 2022-3 bill, and from when inflation should be shown as a separate component. (There appear to have been inconsistencies in how these calculations were made between companies).

	<ul style="list-style-type: none"> • The need to annualise the bills added complexity to the research. This is a complex process and especially so for recent customers. • There were inaccuracies, as far as some respondents were concerned – they did not think that the bill chart reflected their current bill. • Those paying on direct debit, or who had not lived in their home for long, or who were not close to the amount they currently pay for water, were often sceptical about the bill impact chart – potentially influencing how they completed the questions. • A proportion of respondents still completed an average bill amount in circumstances where: <ul style="list-style-type: none"> ◦ The company data did not show any bill amount. ◦ They rejected the amount on the bill profile provided (as too much or too little) and were given an average bill version to complete.
<p>BE ADAPTABLE AND SUITABLE FOR HOUSEHOLD AND NON-HOUSEHOLD CUSTOMERS, AND ALSO FOR FUTURE BILLPAYERS</p>  <p>Partially successful</p>	<p>In broad terms, it was possible to follow the guidance, which included full details in the appendix on the approach to be taken with each customer type.</p> <p>The 2020 research defining 'meaningful' research concluded that it was more meaningful to understand the needs of these audiences outside of the business plan engagement 'set pieces' (willingness to pay research and AAT research). This was largely because the need to inform and spend significant time to conduct these research exercises well did not accommodate for the circumstances of or pressures on these audiences (e.g. time-starved businesses or vulnerable consumers). Indeed, the company feedback included isolated comments that the prescribed approach for vulnerable audiences specifically elicited 'limited insight' – but this was not elaborated on further.</p> <p>While the guidance did explain how to phrase or angle parts of the approach differently, by and large all three segments were shown the same materials including the same plans, evaluating the same performance commitments. There was little tailoring to cover topics that might have been more relevant to each group. This objective raises another question about the requirement for the research analysis to:</p> <p><i>'Show ... differences in views between people taking the perspectives of billpayers, consumers and citizens and identify what the preferred plan would be from each perspective.'</i> [P24]</p> <p>Research outputs did not make this distinction – and it is very difficult for moderators to establish these different mindsets with research participants within the same event/group/interview. Furthermore, the approach set out in the guidance, while adopting aspects of deliberative research (e.g. informing, reconvening, deliberating) ultimately asked participants to make a personal judgement on the acceptability and affordability of the plan – not a collective one.</p>
<p>ACCOMMODATE UNCERTAINTY ABOUT PROPOSED</p>	<p>A key feature of the PR24 methodology was to show customers their own bill impact, rather than the regional average, using a graph as specified in the guidance. This required considerable effort on the part of companies and their</p>

<p>BILL LEVELS, FINANCIAL SUPPORT FOR LOW-INCOME HOUSEHOLDS AND THE CONTENT OF WATER COMPANY BUSINESS PLANS</p>  <p>Partially successful</p>	<p>agencies, the former providing accurate data on the customer lists – and the latter producing individual stimulus materials. The value of this was apparent in the qualitative groups and events where the bill amounts for people sitting next to each other could vary by several hundred pounds and accurately reflect bill levels including for those on a social tariff.</p> <p>The bill impact charts came with reminders that these projected bill amounts could change. Additionally, the pre-read exercise included an explanation of penalty and incentives to highlight how bills could be affected by performance monitoring. (In the work that Blue Marble conducted, incentives and penalties were shown in terms of how many passes and fails were awarded by the regulator – and the actual impact on average bills in the most recent year. However, this is another example of how the guidance was interpreted differently by companies and their agencies),</p> <p>The following statement included with bill graphs: <i>Water bills change each in year in line with inflation. Inflation is the increase in prices paid for goods and services over time. Household incomes also change over time. If your household income keeps up with inflation (increases at the same rate), then you are likely to notice little difference in what you are paying for things. If inflation increases by a faster rate than your household income, then you are likely to have less money to go around. If your household income increases by a faster rate than inflation, then you are likely to have more money to go around. The Bank of England aims to keep inflation at 2%, but it has recently been much higher than this. As well as changing by inflation each year, bills change by an amount set by Ofwat as part of their price review process every five years.</i></p> <p>The stimulus materials did, in practice, remind consumers about the uncertainty of bills. However, it is debatable whether research participants really took this point on board. The issue of incentives and penalties is a technical aspect of regulation that consumers find difficult to understand, not least because there is a logic gap in fining companies who need (to spend more) to improve. Similarly, inflation is also difficult for many consumers to rationalise for most consumers, inflation is just part of ‘bills always going up.’</p> <p>In future guidance, the key message should be that the bill profiles are estimates based on the impact on today's bill given the investment proposals. Describing the technical and economic levers that bring uncertainty to the estimates adds complexity. This additional detail should be part of the moderator briefing pack for those who question the reason for uncertainty.</p>
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The feedback from water companies also included several points relating to the guidance document which should be considered for any PR29 AAT guidance:

- Timeliness of the guidance (as discussed above).
- Improved document layout, better signposting and visual aids – to make the document easier to digest.
- Separate documents for the qualitative and the quantitative workstreams.
- Better ways to indicate iterations – marked-up documents rather than requiring cross references to be made.

4. Where does the guidance need to be tighter and where could it be less prescriptive without reducing the quality and comparability of the outputs?

Some relatively minor elements of the research process were very heavily prescribed in the guidance – for example, interview lengths for depth interviews, incentive levels for participant types, and how to recruit future billpayers.

While the guidance was very specific in some areas (e.g. minimum numbers of respondents), the practical elements of the research were not stipulated precisely – e.g. whether online or offline, the breakout group composition. These practicalities could affect comparability (and did cause debate with other stakeholders involved in the research assurance process), but there was no guidance on what was the ‘best’ approach.

The discrepancy between significant prescription of such minor elements and lighter-touch guidance on more significant dimensions affecting the perceived acceptability of the plan (such as availability and presentation of key information, which Performance Commitments are included, and so on) feels like a weakness in the PR24 guidance.

The guidance could take a more principles-based approach, focussed on research outcomes.

For example, asking companies to structure the research sample against a set of principles could deliver the same quality. As a minimum, requesting that companies work with a specialist, MRS-accredited research agency would shortcut much of the prescription here, especially now that base expectations have been set in PR24 guidance.

The principles could cover the following:

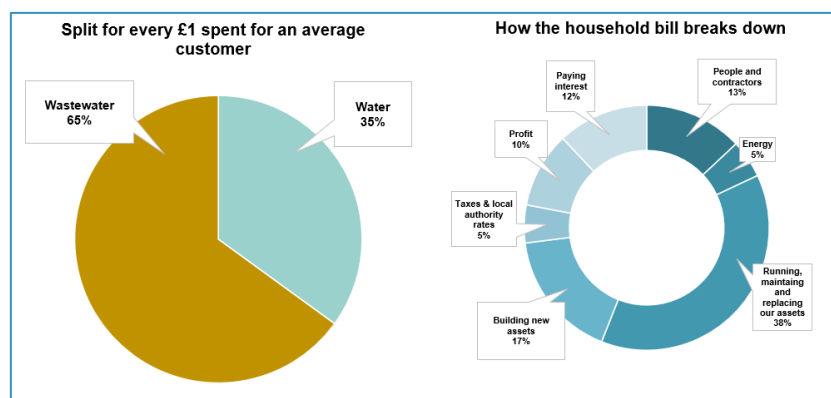
- Demonstration of inclusive and accessible research practice.
- Sample large enough to analyse by specified subgroups (non-household customers, customers in vulnerable circumstances and future customers).
- Quotas on age, socio-economic grade and gender to broadly reflect regional profile.
- Length of groups, depth interviews or another method which should be justified on the scope of materials and whether the research is conducted online or offline – and on the basis that participants are being adequately informed to come to their own conclusions on acceptability of the plans.
- Expectation for ‘fresh’ respondents i.e. not recruited from company community panels that may be primed by exposure to previous research and engagement (although these panels could be used for piloting materials etc).
- Requirement to include a technical report appendix with full details on incentives, response rates (recruited vs achieved sample), top-up activity, participant feedback scores – to assist in quality assessments and lessons learned exercises.
- Peer review exercises to comment specifically on the quality of the sample.

It will be important to retain and expand some prescriptive elements in the guidance

There were some very useful aspects of the guidance which should be retained, especially relating to standardised explanations for statutory drivers of cost increases - such as WRMP, DWMP and storm overflow drivers - as well as inflation. These standardised explanations are helpful and provide objective and consistent descriptions to use across the industry. There is room to expand these to include some of the gaps in information (highlighted above) in future guidance.

- **Timings and requirement for re-testing** should be more precisely mandated. There is a reference in the guidance to re-testing plans if material changes are made following the research. This feels very light touch compared to other issues addressed by the guidance and potentially glosses over some important principles of accountability. This cuts to the heart of the issue around the research not driving the planning process and ensuring that there is time to adapt to what the research says, before re-testing. Additionally, compressed timings (which might also have been driven by changing government mandates, the timing of the guidance or late decisions on business plan costings within regulation teams) will lead to poor quality outcomes.

- **Sampling:** Random probability sampling using customer lists was often new for clients and should be more familiar in future. Prescription would be useful here as many decisions about cleaning data had to be made by agency with companies.
- **For non-household customers,** there was far less guidance on sampling. This is a particularly low engagement group and as they are not direct customers this is problematic for research. There were no customer lists nor bill information available. Low response rates meant using multiple recruitment methods to boost the sample. While common practice in the research industry, especially for research among businesses (also known as B2B research within the industry), this is not ideal. Going forward, water companies may need to engage through retailers to achieve robust sample sizes in a timely and more cost-efficient way.
- **Stimulus materials:** an important area for consistency across all companies – and to ensure plans are being presented in simple terms – and in an unbiased way. Prescribed stimulus should include:
 - Generic, industry context (authored or voiced by the regulators and/or CCW) – including performance league tables.
 - Plan on a page template.
 - A simplified company performance scorecard.
 - Context about social tariffs (and associated performance data on take up).
 - Glossary of language and layouts where relevant.
 - Bill profile specification including Y1 and treatment of inflation.
 - The bill breakdown (see example below). This is another area where categories of spend and descriptors used in the pre-read differed across the industry.



5. How could the stimulus materials be improved to help people decide whether their water company proposals are acceptable or not?

Pre-read and Plan on a page: there were tangible differences across the industry in how the simplified 1-page plan was designed. This was a central piece of stimulus material where there is a role for a much more prescriptive approach. The simplified plan should give research participants from any region the same level of information. It should be used as a reference point to help people see how individual components are needed to improve service and how these impact the bill. This is a complex piece of communication and ideally there will be a template provided as part of future guidance to assist companies and their agencies in achieving clear communication and consistency.

The audio/visual versions of the pre-read were incredibly time-consuming to produce – and there was no guidance on how to commentate the Performance Commitment slides which comprised charts and tables (the voiceover could not describe each element of the chart, therefore needed to interpret what it was showing). This may have had a significant bearing on these audiences' views of the research – however, we do not know if they were used.

Historically, the challenge with business plan research and engagement has been to balance the need for participants to properly understand proposed plans with the risk of information-overload and fatigue. We think there is still room for improvement – for example, with simplified company scorecards – perhaps using RAG (red, amber, green) ratings to show performance relative to the rest of the industry rather than numeric performance league tables.

Must-do and Proposed: Meaningful research is about asking people to comment on areas where their views will make a difference to the outcome. The guidance was clear on setting out the requirement for this: *'it is important that research participants understand which parts of the business plan are discretionary and which parts reflect what a company must deliver to carry out its statutory functions. Correspondingly, it is important that customers understand the amount of the proposed bill that relates to discretionary company proposal.'* [p7] An equal emphasis was given to both statutory and discretionary parts of the plan in the research fieldwork, usually leading with the statutory elements – where it was probably unclear to consumers why their views were necessary. In the end, with cost added, there was not a clearly meaningful choice for customers, with the cost of the two very close to each other: the discretionary elements in most cases did not offer consumers very much leverage in influencing the trimming of bills.

The desire to apply the principles of meaningful research should be retained. However, the presentation of statutory and discretionary elements in the stimulus materials, particularly as companies had found it very complex to model plans in this way, may have added 'false precision' to the design of the plan stimulus – or at least, confusion.

Big numbers around the cost of individual investments are not relatable. What is more meaningful for consumers is understanding the proportion of the total investment being spent on specific activities, and how this will impact bills.

Whole or partial plan? The current guidance does not require consumers to see the whole plan. Instead, it works under the principle of showing what is most relevant in terms of the 6 Performance Commitments, and in terms of the plan, the largest investments and/or those where the scale or phasing of enhancements offers greatest differentials for customer bills. There is no evidence that this approach should be changed/improved.

Comparative company performance: the helpfulness of showing company league tables was compromised in the PR24 research as the prescribed charts were difficult for customers to interpret. The principle of showing a company's performance in relation to other water companies remains a meaningful 'test' for consumers – and something they ask for when it is not provided.

Areas for consideration

- Ofwat / CCW to provide clear, worked-up examples of how the plan on a page should be presented. Especially where it concerns joint procurement projects.
- Ofwat/CCW should ensure that water companies are totally clear on what needs to be provided to agencies in support of the research – essentially, a short document setting out what water companies need to provide to agencies.
- A new, simplified company scorecard approach (perhaps using RAG scales) should be designed centrally (i.e. part of the regulator's/CCW's input to the context material). This could potentially include brief explanations (not excuses) why companies achieve lower or higher performance levels.
- Deeper consideration should be given to the need for 'must-do' vs 'least cost' vs 'other' business plan options. For consumers, the distinction between these was easily lost. The pre-read did not always set this up clearly enough. The nomenclature was not quite right either: 'must do' is not very natural language and was confusing when 'least cost' was added too.

- CCW / Ofwat could create centralised stimulus material (see above) explaining what is required of water companies in their plans. This would then set the right language for describing parts of the business plan. (The comparable information booklet - Guidance for water companies: principles for setting out comparative company performance data³ - worked well. We are recommending a simplification of this – but the principle of providing the form of words/descriptions is a good one).

6. Are there other approaches to this research which would be as, or more effective in meeting our objectives?

The broad premise of exploring the acceptability of the plan in its entirety remains a good one.

To do this well, companies need to use engagement methods that allow for participant immersion in the topic with both moderated discussions and individual reflection. Methodologically, the current approach is broadly fine.

The potential flaws currently are:

- Materials are over-complex.
- They are produced by the companies (consumers do not know that the content is prescribed, and the value of independent (regulator) validation is missing).
- The plans are presented as a disparate collection of investments rather than a coherent strategic plan for consumers to follow.
- In the context of a price review where discretionary spend is dwarfed by statutory spend, there is confusion (or disappointment) about the extent to which participants can influence plans.
- Achieving an analysis based on the 'citizen' mindset is over-ambitious within this current guidance.
- The timing of the research has not allowed for plan iterations, as intended. Timings were made even more complex as the guidance could not fully anticipate the timings for statutory requirements to be finalised and announced, and CCW Ofwat did not have detailed oversight of water company specific business plan timings.

Areas for consideration

Currently, the requirement to take a fresh group of customers 'from zero to hero' in just a few days or weeks is potentially placing too much burden on each participant and does not align with the principles of the 2019-20 meaningful research⁴.

- **There is the option for much lighter-touch testing of the plan:** This would involve company plans presented as a coherent strategy rather than consumers working through complex data centred on specific investments. This might be based on e.g. expert / journalist summary of what the plan does and the key decisions the company need to make: "Company 1 has been marked down in the past for poor performance in areas a, b and c. They have historically been a good performer in areas d and e. Their new business plan proposes they prioritise investment in areas a, b and e. This is interesting because they could have chosen to spend more on e, which would lead to an improvement of f%...etc.." Such an approach could also be particularly effective during earlier AAT testing, where companies may have incomplete information to test. Future guidance should include consideration of how to adapt or apply the guidance for partial plans.





³ Guidance for water companies: principles for setting out comparative company performance data

⁴ Engaging water customers for better consumer and business outcomes - CCW


- **There could be greater focus on the areas where customers have a real say:** Acknowledging that the statutory nature of PR24 was unprecedented in previous price reviews, there could be greater emphasis on the discretionary elements of the plan in future engagement. For instance, while customers need to see the full plan to understand the bill impacts – and see how the regulators are managing the performance of the sector – it is not appropriate to ask customers to consider the acceptability of the mandated plan when their views will not inform any change.
- **Affordability and acceptability testing is more appropriate for billpayers than non-billpayers:** other service users and future customers have an important role in shaping the longer-term plans.
- **There is also a role for much more intensive exploration of the citizen mindset as part of the Long-Term Delivery Strategy.** This would improve the overall quality of consumer input into business plans while taking some of the pressure off the AAT set piece. The citizen mindset needs to be explored using appropriate methods and triangulated with other customer research to demonstrate how the plans have been shaped by the whole population. The citizen mindset is achieved with smaller groups of consumers, mirroring Customer Advisory Panel / Citizen Jury approaches – for example, a process which involves 2-5 days (reconvened) of customer involvement so that they become genuine 'experts'. These panels could also inform the following AAT research, primed to provide expert input once costed short term/5-year business plans are live.

7. Does new research on consumers' expectations for water sector research and engagement inform the review of the AAT guidance?

Recent consumer research commissioned by Ofwat and CCW has identified a set of consumer-generated principles to guide the industry in both business planning and business as usual research design⁵. The principles are general and can be applied across all types of research and engagement.

Consumers say water industry research and engagement should be...		
	Honest & transparent	<ul style="list-style-type: none"> • Use engagement to show integrity and trustworthiness in action.
	Informed not overwhelmed	<ul style="list-style-type: none"> • Help people have an informed say, with clear and concise information.
	Accessible	<ul style="list-style-type: none"> • Offer multiple options to participate and simple ways to give views.
	Motivating	<ul style="list-style-type: none"> • Communicate the benefits and impacts of taking part. • Engage on topics most relevant to bills and public concerns.

⁵ Publication due 22nd May 2025

	Acted on	<ul style="list-style-type: none"> • Demonstrate that consumer feedback is being acted on.
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Honest and transparent

Trust and transparency will be critical issues for the sector for the foreseeable future. Using guidance to ensure impartiality and consistency during AAT research will support the achievement of this principle – particularly in terms of how companies describe their plans.

It is essential consumers know that what they are being shown has been independently verified. By requiring companies to use a set of centrally developed stimulus materials, the sector will be able to demonstrate the integrity of the process to participants. This is particularly important for comparisons between companies. Helping participants to understand where companies are not performing as well as others will help build trust in the research process overall.

Establishing fixed timing gateways for submission of key business plan information will ensure that this information is accurate, up-to-date and (where appropriate) independently verified to ensure that it presents realistic trade-offs to customers.

The research process itself also offers companies the opportunity to demonstrate their honesty and transparency. This is important in the context of low trust, where every touchpoint can be valuable to companies in conveying their brand values. For AAT research, this could include:

- Invitation letters to participants: the tone of voice can serve to support these brand values.
- Signposting information about the research on the company website.
- 'Thank you' follow-ups to participants (via the research agency) or to the sample database who received the invitation letter, demonstrating that the company is listening.

Informed not overwhelmed

Business planning is a complex process, and there is a significant risk that the information provided to customers to make informed decisions is too much. To ensure that customers feel informed but not overwhelmed, we could consider:

- Using higher-quality, robustly tested stimulus which is agreed for whole industry on key topics (as outlined elsewhere).
- Creating a simple, easy-to-understand and standardised format for the 'plan on a page' – which obeys key principles of good design and has been tested with customers to ensure it is easily comprehensible and comparable.
- As well as this, sharing a lighter-touch version of the business plan which avoids unnecessary detail as far as possible.
- Placing greater emphasis on testing discretionary elements of the business plan, considering that these non-statutory elements are where customer input is most important.
- Standardising approaches across companies, to ensure research outputs (such as final reports) are based on a level playing field.

Accessible

A prescriptive approach may lead to samples and methodologies which are not best suited to specific audiences or to gaining relevant insight. Achieving accessibility is an area where a principles-based approach is likely to lead to higher-quality outcomes. The respondent

experience is the primary goal to achieving meaningful participation and the complexity of the topics and wider company/regional context will point to using different methodological approaches. Principles would be designed to ensure companies use deliberative research methods which are tailored to enable the inclusion of all key audiences. For example, these might include enabling customers to engage with the plans through deliberation; fostering constructive dialogue by enabling participants to understand each other's perspectives; leveraging diverse perspectives and reporting on differences by relevant customer segments; tailoring methods to ensure inclusivity etc.

Asking companies and their agencies to demonstrate how a set of principles has been achieved (in technical appendices to the research outcomes) is likely to achieve higher quality outputs. In future, a lessons-learned process – including an industry-wide assessment of participant feedback – might in time lead to more prescriptive guidance based on clearly evidenced best practice.

Motivating

As highlighted elsewhere in this report, developing high-quality stimulus has an important role to play in ensuring that customers understand the importance of AAT research and their role within this. Centrally developed video animations and infographics which set out the context of the research, including how the industry is regulated and why business plans are needed, would significantly enhance the participant experience.

Similarly, maintaining the principle of focusing customer input on the areas that have most relevance to customers – particularly discretionary elements of the business plan – is likely to be more motivating for customers than trying to gain input on everything, including all statutory requirements.

Acted on

There are numerous ways in which the guidance can support customers feeling that their AAT input has been heard and incorporated into business planning:

- Ensuring that at least some sessions are observed live by representatives from companies, regulators and consumer champions will demonstrate that the sector is listening – and is therefore also willing to act.
- Encouraging companies (and other stakeholders) to share a meaningful and engaging post-event 'thank you' could also enhance this. It is easy to envisage numerous possible formats which would be effective here – such as a closing comment from any observers present at face-to-face sessions or a subsequent video message from companies demonstrating work in progress on investments, or letters from senior leaders explaining performance issues (the consumer expectations research highlights how customers want to see honesty from companies when things go wrong).
- Inviting participants to the company's next 'you said, we did' meeting (if applicable).
- Explaining the timings for customer input into the business planning process, and specifically for the AAT research – this will highlight the time available for re-testing of the plan.

8. Summary: areas for consideration to enhance future guidance

At a time of rising bills and heightened scrutiny of the water sector, it is important that customers have a strong role in shaping their companies' future plans. The AAT process plays an important part in this, providing the final customer assessment of companies' business plans.

This review has highlighted areas for improvement in the AAT process. Through changes to the guidance for PR29, the role of the customers can be further strengthened.

1. Ensure that customer input is timely.

This is an area where greater prescription in guidance is likely to be beneficial to the quality of AAT research.

If we are asking customers for their input, it is important that we ask for their views on complete versions of business plans, that there is time to respond to their feedback and, if necessary, to seek further customer input as the plan is refined. At PR24, this was not always achieved – with the proverbial business plan aircraft being tested while it was still being built, and with very limited opportunities for re-testing of plan elements where required.

Key considerations for future guidance:

- **Provide early and firm deadlines for rounds of acceptability testing.** For example, the first round could be conducted 12 months before the final business plan submission (perhaps based on lighter-touch business plan information) and a follow-up round 6 months before the final deadline. If customer input is considered essential, then it must be given proper time and must have a designated window to avoid being compromised.
- **Linked to this, provide research guidance early and well ahead of key milestones.**
- **Require companies to have key business plan data finalised prior to the outset of the AAT process.** Set timing gateways to ensure that the requisite elements are ready for customer testing and that the process is proper, even if business plan data is indicative (the guidance should specify what 'indicative' means).

2. Ensure that customer input is based on the right information.

This is another area where greater prescription is likely to be beneficial.

It is vital that customers are given accurate, up-to-date information which is consistent with what customers in other regions are shown. There is also the opportunity to streamline this process – by creating a bank of high-quality, centralised resources which all companies use to explain key concepts (potentially through video animations and infographics, for example – where budget may not be available at individual companies to do this).

Key considerations for future guidance:

- **Provide a template for companies, setting out the business plan information that they will need to provide to research agencies.**
- **Provide a template for the 'one page plan', which all companies must use.**
- **Reconsider the requirements for 'must-do,' 'least cost' and other plan variations – streamlining this so that comparisons are meaningful and motivating for customers.**
- **Define points of comparison between companies – mandating the topics which must be shown to customers.**
- **Provide high-quality, centrally developed stimulus materials for use across the industry on shared topics: such as the industry context, the rationale for mandated investments and comparative information.**

3. Adopt a principles-based approach to research methodology and sampling

As well as providing more scope for innovation and improvement, this will also ensure that companies can tailor their approach to reflect their customer base (specifically, for sampling).

Key considerations for future guidance:

- **Retain a level of flexibility about the methodological approaches employed, to encourage innovation and consideration of best practice.**
- **Acknowledge that deliberative approaches are suitable for covering the breadth of topics with large qualitative samples – but do not require companies to use AAT to explore the citizen mindset simultaneously (though some may choose to incorporate this into their qualitative AAT methodology).**
- **Encourage the use of specific citizen-based techniques (with smaller samples) to achieve an in-depth analysis of the arguments for long term planning earlier in the business planning process.**
- **Specifically for sampling, allow companies greater flexibility to design suitable (high-quality) samples to reflect their regional profile.**
- **However, for non-household customers, greater prescription may be necessary to achieve high-quality samples – specifically by requiring retailers to invite their customers to participate, given that they have a stronger relationship with customers than wholesalers do and therefore response rates are likely to be higher.**

A consideration on the issue of comparability: in qualitative research, using mixed methods and including sample boosts to understand specific audiences will give deeper and more nuanced insight – but should not lead to a different answer. Indeed, there is always a strong argument to used mixed methods for qualitative investigations to achieve the most rounded understanding of the drivers and motivations shaping attitudes.

This is not the case, however for the treatment of stimulus material. What we present to research samples will shape their views – and differences in what consumers are shown will undermine the ability to make cross-industry comparisons. For example, the presentation of costs (investment millions, average bill, monthly bill impacts, with/without inflation) showing how plan components make up the bill could lead to a materially different answer.

4. Adjust expectations of the role that key segments should play

Non-billpayers (including future customers) should have a different role in shaping business plans, given that they are not directly affected by bill impact in the forthcoming 5-year cycle. These audiences can and should provide important input to companies' long-term strategies and goals, including how these should be phased and paid for. But their input is less relevant to the specific task of affordability and acceptability testing.

There is a risk that the inclusion of customers in vulnerable circumstances becomes tokenistic, given the heterogeneity of this group. AAT research should either ensure good inclusion of such audiences because there is a desire to ensure that business planning reflects all walks of life; or draw on strong samples of specific subgroups within this broad moniker because there is a specific desire to understand their specific experiences and needs (for example, people who have a heightened dependency on their water supply for medical reasons). Appropriate sample sizes and methodologies will depend on which of these is the core goal and should be specified accordingly.

Key considerations for future guidance:

- **Encourage lighter touch testing of the plan with all audiences, and particularly where there are strong reasons to believe that this is the best way to engage these audiences meaningfully (e.g. NHH customers).**

- **Remove non-billpayers from the AAT process, instead upweighting their role in other stages of plan development, including providing input on key long- and short-term trade-offs.**
- **Provide more detailed, outcomes-based guidance on expectations for the involvement of customers in vulnerable circumstances.**

5. Reporting and assurance

Given broad methodological comparability of approaches across companies, there is a strong argument for ensuring that reporting outputs are comparable, at least to some extent. Ensuring that outputs are comparable across companies (or at least that key elements of the qualitative affordability and acceptability testing findings can be compared) will also aid customer understanding of the outputs from the research.

It will also be beneficial to provide stronger guidance on where peer review can add value to this process, explaining what specific elements they should focus on and how their scrutiny should be framed.

Key considerations for future guidance:

- **Outline a standardised (simple) process for reporting the outcomes of the research, to aid comparison across companies.**
- **Set out more detailed expectations for peer review in assuring research – particularly in terms of whether the primary role is to assure the quality of the research process or to assure that companies have acted on consumer insight when shaping the plan.**

6. Collect and analyse key data about the PR24 AAT process, to inform future guidance

All companies were required to collect data about participants' experiences of the PR24 AAT research process. To date, as far as we know, this has not been analysed comparatively across companies. High-quality interrogation of this data can support important methodological choices for the PR29 AAT work, supporting higher-quality, more efficient delivery of this.

Key considerations for future guidance:

- **Request that companies share key information relating to their PR24 research processes – for example around average response rates for each element of the methodology, and sentiment responses from post-tasks completed by participants.**
- **Analyse and publish these data, to inform methodological choices and sampling decisions.**