1. EXECUTIVE SUMMARY

This paper covers specific customer research, engagement and participation initiatives undertaken since our last update (paper written on 15 February 2018 and presented to Water Forums on 19 March 2018), to develop policy or for business planning.

We have engaged with customers in relation to our proposed discretionary enhancements, seeking their support for them.

Engagement with customers has been carried out to gain valuations for ODIs on our bespoke measures of success.

A series of working group sessions have been held with Water Forum members to discuss discretionary enhancements, triangulating evidence to define our Performance Commitments (PCs) and how we have developed our package of Outcome Delivery Incentives (ODIs).

We are continuing to develop our approach for Acceptability research and engagement. A separate paper has been prepared for Water Forums.

2. DISCRETIONARY ENHANCEMENTS

Ten focus groups were held with customers to understand their acceptance of a range of discretionary enhancement schemes that we have developed to include in our business plan. They covered a number of water and waste water enhancements, as well as schemes for smart water meters and improving cyber resilience.

Results for overall acceptance for each scheme area, plus overall acceptance for the whole package is as follows. Eighty percent of Northumbrian Water customers and ninety six percent of Essex & Suffolk Water customers accept the overall package of investments. The overall results are shown in the tables below and a breakdown of the results can be found in the appendix at the end of this paper.

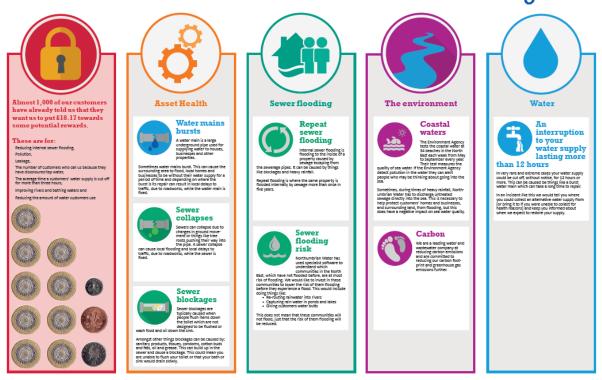
Acceptability overall	Northumbrian Water	Essex & Suffolk Water
Water schemes	94%	96%
Waste water schemes	61%	n/a
Smart water meters	62%	64%
Cyber resilience	84%	85%
Overall package	80%	96%

We will be holding some additional customer engagement on 9 and 10 May to understand why customers said they were unsure on a number of the schemes. An additional package of discretionary enhancements concerning lead water pipes has also been developed and will be tested with customers during that engagement.

3. BESPOKE ODIS

Following on from our initial Service Valuation engagement, where we used our innovative tool to gain customers' valuations for ODIs, we needed to gain values for a number of our bespoke Measures of Success (MoS). Our engagement was designed as an extension to our interactive tool, with customers making decisions using coins on a 'table top board game'.

NORTHUMBRIAN WATER (wing water



We engaged with 500 customers during ten hall tests, at which customers were shown a short video about our journey so far and then were asked to provide values for a number of our bespoke measures. The results have been fed into our work on developing our ODI package.

4. WORKING GROUP SESSIONS

Three working group sessions with Water Forum members were held during April, with members providing welcomed and valued challenge on our proposals for discretionary enhancements, PCs and ODI package.

On 17 April, we explored our proposed enhancement schemes including statutory enhancements such as the Water Industry National Environment Programme (WINEP), along with discretionary enhancements such as those relating to resilience. As part of this session, we shared the approach used to engage with customers to understand the extent to which they support investment in these areas, along with the headline results from the recent engagement.

A session on 20 April continued the discussion on triangulation of customer evidence which we started in February. The session paid particular attention to our proposed Performance Commitments and gave Water Forum members the opportunity to challenge our proposals. The discussions went beyond customer evidence, examining other drivers for PC levels, particularly comparative information and the industry upper quartile position.

Finally on 26 April, Water Forum members explored our proposals for incentivising the delivery of our PCs, through a combination of rewards for out-performance and penalties for underperformance.

5. NEXT STEPS

We are finalising our business plan proposals and will be carrying our Acceptability research and engagement at the beginning of June. Water Forum members will be invited to events in due course.

If members have any questions relating to our customer research, engagement and participation, please contact Elaine Erskine via email (elaine.erskine@nwl.co.uk) or phone 07792 835724.

ELAINE ERSKINE Strategic Research and Assurance Manager

28 April 2018

BREAKDOWN OF DISCRETIONARY ENHANCEMENTS ACCEPTABILITY RESULTS

Acceptance of water schemes (NW)	Yes	No	Unsure
Tyne area	84%	6%	10%
Tees area	90%	6%	4%
Durham area	92%	2%	6%
Too critical to fail	90%	0%	10%
All water schemes	94%	0%	6%

Acceptance of water scheme (ESW)	Yes	No	Unsure
Essex area	89%	7%	4%
Suffolk area	100%		
Too critical to fail	100%		
All water schemes	96%		4%

Acceptance of wastewater schemes	Yes	No	Unsure
Multi-agency response coordinator	88%	6%	6%
Howdon Sewage Treatment Works	55%	18%	27%
Development sites	47%	37%	16%
Flood risk reduction	71%	20%	10%
Smart wastewater network	59%	18%	24%
Resilient wastewater network	67%	18%	16%
All wastewater schemes	61%	25%	14%

Acceptance of Smart meters	Yes	No	Unsure
Smart water meters – Northumbrian Water	62%	22%	16%
Smart water meters – Essex & Suffolk Water	64%	7%	29%

Acceptance of cyber resilience	Yes	No	Unsure
Cyber resilience – Northumbrian Water	84%	10%	6%
Cyber resilience – Essex & Suffolk Water	85%	4%	11%