

## **1. EXECUTIVE SUMMARY**

This paper covers specific customer research, engagement and participation initiatives undertaken since our last update (September 2017) to develop policy or for business planning.

Our main focus over the past two months has been the development of our service valuation tool for PR19 business planning.

Fieldwork for engagement with our customers is scheduled to take place over three weeks commencing 6 November 2017. Prior to that, the tool will be tested by employees, Water Forum members and customers.

Our Workstreams have identified a number of additional customer engagement projects they would like to take place to complement our existing customer insights. These are being scoped and will take place before the end of 2017.

We issued a tender specification for a partner to help us develop a tool to complete Cost Benefit Analysis. The tool will be developed in advance of us receiving the outputs of our service valuation engagement in December 2017.

Formal triangulation of all our customer insights will commence, with Water Forum members present, during late January 2018. The results will inform our Acceptability research which is scheduled for Spring 2018.

## **2. SERVICE VALUATION TOOL**

Working with our consortium of specialist partners (Explain Market Research, Frontier Economics and Supercharge), we are progressing well with the development of our interactive tool for service valuation customer engagement.

We have worked very closely with experts from Frontier Economics to make sure that we will be able to get robust ranges of customers' service valuations and appetites for Outcome Delivery Incentives (ODIs) from this engagement. Frontier Economics are also confident we have developed an innovative tool and we are unique in using customers' real bill data to test their valuations.

We have indicated to Ofwat we will not be completing a formal stated preference Willingness to Pay exercise for PR19. No objections were received.

Our Workstreams are working hard to identify performance levels and costs for the tool. Behind each performance level and cost is a methodology that we will share with Water Forum members during triangulation (late January 2018).

By the time the next Water Forum meeting takes place, members will have had the opportunity to see and test the tool themselves. You are also invited to observe customer user testing. Two sessions are being held as follows:

<b>Date</b>	<b>Time</b>	<b>Location</b>
Mon 30 Oct	10:00am to 4:00pm	The Lambton Arms, Front Street, Chester Le Street
Tues 31 Oct	10:00am to 4:00pm	Atom Training Centre, Barking, The Clockhouse, East Street, Barking

Daniel Homoki-Farkas from Supercharge will lead the customer user testing. If you would like to observe, please let Elaine Erskine know ([elaine.erskine@nwl.co.uk](mailto:elaine.erskine@nwl.co.uk)).

Our formal fieldwork will take the form of Hall Tests; engaging with a representative sample of 1,000 customers. This will be led by Explain Market Research. The draft schedule for fieldwork is:

Date	Time	Location
Wed 8 Nov	10.00am to 4.00pm	Linthorpe Resource Centre, Middlesbrough
Thurs 9 Nov	10.00am to 4.00pm	St Nicholas Church, Durham
Fri 10 Nov	10.00am to 4.00pm	St Nicholas Church, Durham
Fri 10 Nov	10.00am to 4.00pm	Museum and Art Gallery, South Shields
Sat 11 Nov	10.00am to 4.00pm	The Town Hall, Bishop Auckland
Mon 13 Nov	10.00am to 4.00pm	Tyneside Cinema, Newcastle
Tues 14 Nov	10.00am to 4.00pm	Tyneside Cinema, Newcastle
Wed 15 Nov	10.00am to 4.00pm	Linthorpe Resource Centre, Middlesbrough
Fri 17 Nov	10.00am to 4.00pm	Castle Suite, Bondgate Within, Alnwick
Wed 22 Nov	10.00am to 4.00pm	Saracens Hotel, Chelmsford
Thurs 23 Nov	10.00am to 4.00pm	Saracens Hotel, Chelmsford
Fri 24 Nov	10.00am to 4.00pm	Atom Training Centre, Barking
Fri 24 Nov	10.00am to 4.00pm	Queens Arcade, Southend
Sat 25 Nov	10.00am to 4.00pm	Queens Arcade, Southend
TBC	TBC	Fastloff Business Centre, Great Yarmouth
TBC	TBC	Fastloff Business Centre, Great Yarmouth
TBC	TBC	TBC, Lowestoft
TBC	TBC	TBC, Lowestoft

We are supplementing the formal fieldwork with Flo, our customer engagement vehicle. Flo is going on tour so we can reach more of our customers on their turf. Flo's draft itinerary is:

			Population	Supply area	Time
Mon	06-Nov	Whickham	16,652	NW	TBC
Tue	07-Nov	Ashington	27,769	NW	9:00am to 3.30pm
Wed	08-Nov	Whitley Bay	36,623	NW	TBC
Thu	09-Nov	Berwick	12,043	NW	TBC
Fri	10-Nov	Hexham	11,829	NW	TBC
Sat	11-Nov	Saltburn Farmers Market	5,958	NW	9:00am to 2:00pm
Mon	13-Nov	Darlington Market	10,5564	NW	9:00am to 5:00pm
Tue	14-Nov	Crook Market	10,019	NW	8:00am to 5:00pm
Wed	15-Nov	Barnard Castle Market	5,495	NW	8:00am to 4:30pm
Thu	16-Nov	Hartlepool	92,500	NW	TBC
Fri	17-Nov	Peterlee	20,164	NW	TBC
Sat	18-Nov	Chester Le Street Market	23,946	NW	8:00am to 5:30pm
Mon	20-Nov	Beccles	10,123	Suffolk (Anglian)	TBC
Tue	21-Nov	Framlington Market	3,342	Suffolk (Anglian)	9:00am to 4:00pm
Wed	22-Nov	Rainham	12,482	Essex (Thames)	TBC
Thu	23-Nov	Hornchurch, Essex	63,583	Essex (Thames)	TBC
Fri	24-Nov	Basildon Market, Essex	183,000	Essex (Anglian)	8:30am to 4:00pm
Sat	25-Nov	Brentwood, Essex	49,463	Essex (Anglian)	1:00pm to 5:30pm

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It would be great to see Water Forum members at these locations, and if you would like to attend please let Elaine Erskine know ([elaine.erskine@nwl.co.uk](mailto:elaine.erskine@nwl.co.uk)).

### **3. OTHER RESEARCH AND ENGAGEMENT**

Our Workstreams have identified a number of additional customer engagement projects that are required to complement our existing customer insights. These are being scoped and will take place before the end of 2017. Subject areas include:

- Asset health and resilience
- Affordability
- Tariff design and funds
- Metering (an online survey for NW only as it has already been completed in ESW)
- Bespoke measures of success

Water Forum members will be invited to customer engagement events as and when they are scheduled.

### **4. COST BENEFIT ANALYSIS**

We have issued a specification for an expert partner to work with us to undertake a Cost Benefit Analysis. They will develop a tool that will allow us to compare services and service levels in relation to their expected costs and benefits. In addition we will use the model to:

- Understand if our customers' views differ based on their socio-economic profile.
- Evaluate wider potential benefits (eg environmental).
- Undertake costs benefit sensitivity analysis to understand if lower-bound benefit values would fund service levels.
- Feed the results into our formal triangulation.
- Assist in the completion of Ofwat's business plan tables.

### **5. TRIANGULATION**

On 1 September 2017 we presented our proposed triangulation framework to Water Forum members and held four breakout groups to gather their feedback. Overall members were supportive of our approach, commenting that it was logical, thorough and had strong links to CCWater's framework for triangulation in the water sector.

We will undertake our first formal triangulation exercise, in line with our framework in late January 2018. This exercise will be fed from the outputs of our cost benefit analysis, along with: customer evidence, other valuations, PR19 equations, comparative information historical information and the economic level of service.

We will review all of this evidence and take a common-sense approach to draft our common and bespoke PCs and ODIs. This will be cross-checked with Regulatory Return on Equity (RoRE), and independently reviewed by experts. We will then undertake Acceptability Customer Engagement to verify if our plan is acceptable to customers.

### **6. NEXT STEPS**

Members are asked to test the service valuation tool between 27 October and 31 October 2017. Feedback should be provided to Elaine Erskine who can be contacted either via email ([elaine.erskine@nwl.co.uk](mailto:elaine.erskine@nwl.co.uk)) or by phone 07792 835724.

If members would like to attend any of the service valuation customer engagement events, please let Elaine know.

Invitations will be sent to Water Forum members for the other customer research and engagement events once partners have been appointed and fieldwork scheduled.

Triangulation of all our customer insights will take place in late January 2018, and invitations will be issued in due course.

**ELAINE ERSKINE**  
**Strategic Research and Assurance Manager**

**12 October 2017**