Draft Water Resources Management Plan 2024

Appendix H: Customer & Stakeholder Engagement

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H1 Customer and Stakeholder Engagement

H1 Engagement

Customer and stakeholder engagement at all stages has been a critical part of the development of our plan. This document explains the engagement which has been undertaken and the key findings of this engagement.

H1.1 Stakeholder Engagement

We have held direct stakeholder discussions and consultation activities to inform our dWRMP24. We have had regular stakeholder meetings where we have shared the emerging direction of travel, information and challenges, and we have asked our stakeholders to discuss with us the matters which are most important to them. Unlike previous WRMPs, we're also undertaking a significant proportion of our stakeholder engagement at a regional scale through Water Resources West and the associated regulatory groups. . Some examples of how we have engaged with various different groups are given below:

Environmental Regulators

- Monthly meetings take place with the EA and NRW
- Both parties have also been regularly updated of the Severn Trent developing position through the WRW Senior Group, of which the EA and NRW are both members
- Consultation meetings were held with the EA and Ofwat as part of pre-consultation
- Workshops were set up to consult with the EA/NRW/Natural England on our environmental appraisal approach (SEA/HRA/WFD) in 2021
- We also undertook workshops with both the EA and local Catchment Based Approach (CaBA) groups regarding our Environmental Destination approach in the specific catchments within which we're planning to work
- We have delivered workshops and meetings with EA/NRW/Natural England to share progress on our emerging options and update on our environmental appraisal approach
- Severn Trent is represented through the Regional Coordination Group (RCG) and in the All Company Working Group (ACWG). This provides regular opportunities to engage with all the environmental regulators.

Neighbouring water companies, and third parties (export and import)

- Bilateral meetings have been held with Yorkshire Water, South Staffs Water, Hafren Dyfrdwy, United Utilities, Dwr Cymru Welsh Water, Anglian Water & Bristol Water to explore water import/export options.
- We have engaged with potential third parties e.g., Power Companies, the Coal Authority and The Canal & River Trust.
- A 3rd party options workshop was held in November 20 through WRW, which used the Ideastream website to invite people to share their needs and options.

Regional Groups

- Severn Trent is an active member of Water Resources West (WRW). All water resource strategies and other approaches and data within the WRW documents fully and accurately reflect the ST position. Where there is a difference between the approaches of the companies this has been explained.
- Regional stakeholder engagement has been undertaken in a multitude of ways, including monthly Senior Group meetings with representatives from all the regional companies, and across the sector, through attendance at RAPID meetings, other targeted stakeholder meetings and workshops, and through the WRW website and consultation events.
- Our approach to stakeholder engagement end-to-end through the **best value decision making process** started with the co-creation of our metrics with Water Resources West (WRW) through stakeholder

forums with the regional water companies, regulators and representatives of the large non household users to agree a consistent approach. An early version of those metrics was tested by the Green Recovery project, and our stakeholders helped prioritise the metrics. These metrics are being included in the PR24 customer preferences/willingness to pay studies.

Retailers

- Work has been undertaken by STW on behalf of WRW to engage with retailers in the Hafren Dyfrdwy, Severn Trent, and United Utilities company areas, in order to understand their views of likely future water demand and water efficiency strategy. A survey was issued to the top retailers, followed up by targeted interviews.
- These retailer views were useful in confirming the appropriateness of the scenarios selected and ensured that scenarios were aligned with these real-world views.

Other Stakeholders

- We have held direct consultation meetings with other regulators and interested parties, including Ofwat, The Consumer Council for Water (CCW) and the National Farmers Union (NFU)
- For our work on Environmental Destination, we have consulted throughout with key stakeholders such as the EA. We also held workshops to understand the views on catchment pressures and potential options of stakeholders with a direct interest in the catchments we intend to focus on. These included the three local Wildlife Trusts, Severn Rivers Trust, NFU, North Worcestershire Water Management, Anglian Water, South Staffs Water and the Internal Drainage Board / Water management consortium

These activities will continue as we engage throughout the development of our plans, through to submission of the final plan. Our customer and stakeholder engagement have been undertaken in conjunction with our business planning teams who are developing the company's Price Review 24 (PR24) plan. This will ensure that what we have learned will be reflected in our Business Plan.

Pre-Consultation

In addition to these regular and ongoing commitments, both Severn Trent and WRW concurrently undertook a Pre-Consultation exercise in early 2022 to share details of the early emerging plan and approach and seek feedback to inform the development of our Draft Plan.

The Severn Trent pre-consultation provided the opportunity to engage with 202 consultees in line with the WRPG. This incorporated our non-statutory consultees, including water companies with whom we have bulk supply or shared resource agreements, local catchment partnerships and CCW. We also carried out a more in-depth enhanced pre-consultation with The Environment Agency, Natural Resources Wales (for sites in Wales) and Ofwat.

A set of tables and a presentation were shared in direct meetings with our Statutory Consultees (Ofwat, Natural Resources Wales and the Environment Agency) which summarised, amongst other things, delivery since our last dWRMP24 was published, our approaches to developing this dWRMP24 and gave an early indication of the potentially significant schemes which might be incorporated. The Pre-consultation with our non-statutory consultees consisted of a signpost to our 2019 DWRMP24, an abbreviated version of the slides presented to our statutory consultees and a letter inviting their feedback and views on the issues that they wanted to see addressed in this dWRMP24. We also undertook face to face (virtual) engagement sessions with the National Farmers Union and the Consumer Council for Water to discuss their consultation feedback in more detail.

The WRW consultation exercise involved a series of virtual workshops run by a 3rd party organisation (called eq) which specialises in this type of event. The event was run 3 times, each aimed at a different part of the region. The core content was consistent, and the final session of each workshop was dedicated purely to the respective company for that part of the region. The feedback from this event was provided in a full report and series of graphs which have also been built into our approach moving forwards.

We have received a large amount of helpful feedback through our various stakeholder engagement activities. Some key messages which we've heard most frequently include:

Table H1.1: a summary of stakeholder feedback and how we have built this into our plan

Key stakeholder messages	How we have built this into our planning
A greatly increased focus on the environmental impact of abstraction and how this can be minimised	We have developed a future plan which accommodates WFD requirements, licence capping and stakeholder ambition regarding long term environmental destination. More detail on this is provided in Appendix D
Significant support for increased catchment management activity, working together with other water users on catchment approaches and how we can use this to support water availability for all users	We are committed to continue to build on our successful catchment management approach delivered through AMP 6 and 7, and partnerships with landowners and stakeholders. Consequently we are seeking to explore further opportunities for catchment measures with stakeholders to bring catchment improvements and ecological resilience without destabilising public water supplies. More detail on this is provided in Appendix D
ST should focus on challenging leakage reduction and demand management activities	In AMP8 we will continue to prioritise leakage reduction activities in the zones with the greatest supply/demand balance challenges, but we will also extend our ambition into zones with a lower supply/demand balance risk. Our ambition is to reduce leakage by 50% by 2045, and we will set targets that will drive our leakage technology and innovation thinking We are also supporting customers in understanding their use and helping them to reduce usage which we will be able to target more effectively with increased metering
There was clear support for our proposed levels of service, including a 50% reduction in Leakage by 2045, TUBs frequency of 1 in 33, 1 in 500 year drought resilience by 2039 with no reliance on drought permits/orders.	We have developed a plan which will enable us to continue to deliver against these commitments
ST must seek to understand our customers' views on key topics and ensure these are incorporated into our approach	We have continued to develop the maturity of our customer engagement, using learning from previous DWRMP24s, and also building on expectations set by CCW, regulators and other stakeholders. This is detailed further in the next section
Real support for working with our neighbouring water companies, using consistent assumptions and methodologies to create a Regional Plan	We have been actively involved, and highly influential in Regional Planning, both as members of WRW and by providing resource to support the delivery of the programme. Our plan is aligned with the WRW plan and we have applied the same assumptions and methodologies as the other members companies
Backing for sharing water resources outside of the ST region	Our DWRMP24 has been developed in close conjunction with both the Regional Plan and the SROs, facilitating water transfers whilst continuing to meet the needs of our own customers
A greatly increased focus on the environmental impact of abstraction and how this can be minimised	We have developed a future plan which accommodates WFD requirements, licence capping and stakeholder ambition regarding long term environmental destination. More detail on this is provided in Appendix D

For more detail regarding how stakeholder feedback has influenced our plan please see Section 6 of our main Draft WRMP Document

Our stakeholder engagement activities will carry on as we continue to develop our plan through to submission of the final plan. Our customer and stakeholder engagement has been undertaken in conjunction with our business planning teams who are developing our PR24 business plan. This will ensure that what we have learned will be reflected in our Business Plan.

We have received a large amount of helpful feedback through our various stakeholder engagement activities. We have used this feedback to help shape our plan. We also used it to guide our customer engagement activities.

H1.2 Customer Engagement

Our approach to customer engagement

This chapter provides an overview of our customer engagement to support DWRMP24. It explains our approach to customer engagement, what we learnt from the engagement and how those conclusions are reflected in the plan.

Executive summary

Our DWRMP24 is founded on a rich programme of customer insight representing over 10,000 customer interactions, undertaken both locally and in collaboration with WRW companies.

Building on our rich insight from customers for the last DWRMP24, our recent research has taken place over a couple of years of great societal change, and we have seen a shift in customers' concerns from the impact of the Covid-19 pandemic to the political and media focus on the impact water companies have on the environment, to the cost of living crisis which emerged strongly in 2022. Within this context, and despite a growing concern about climate change, water remains a low salience topic for customers and the future stresses on the water supply are not well known.

Meeting the challenges of climate change and drought to ensure there is enough water for everybody is a key priority for customers, although not something which is top of mind. When it comes to how we address the supply demand deficit, customers continue to want to see a focus on demand side solutions, followed, where necessary, by supply schemes. Helping customers to use less water resonates strongly with customers and they recognise that they have a role to play here. Yet promoting behaviour change is complex, and many do not appreciate the link between water usage and the environment, or the link between water consumption and energy use in the home.

Following our classification as a water stressed area we have talked to customers about compulsory metering. This can be a polarising subject amongst those who aren't metered, however, once informed, there is a reasonable level of support with 58% of customers supporting a compulsory metering programme and 22% neither supporting nor opposing it. The need to reduce water usage to counter the future supply demand deficit and the protect the environment are felt to necessitate this approach, but there remain concerns about the compulsory nature and the uncertainty about bills impacts, including the financial impact on low-income families.

Protecting and improving the environment is important to customers, although the link with the water supply is not very clear, particularly the impacts of abstraction on the environment. Customers are mixed in their

views of how fast we should tackle the Environmental Destination, with a slight preference for an adaptive approach.

In the following table we have summarised the key insight from our customers, and how that is reflected in the DWRMP24.

Table H1.2 – A summary of key feedback from customers and how this has influenced our plan

What our customers told us	How our DWRMP24 is influenced by customer views
Meeting the challenges of climate change and drought to ensure there is enough water for everybody is a key priority for customers.	Our modelling is based on the UKCP18 datasets and we're working to the RCP6.0 climate change scenario, which factors in the potential changes to temperature and precipitation patterns that we may see in our region. We've also modelled a range of other potential climate futures, which allows us to choose the best solutions that are consistently identified as no regrets options within these futures, both in the short term, and to allow for adaptive planning for future options in the long term, depending on the climate scenario that's realised.
Consumers don't consider TUBs and NEUBs to be particularly impactful measures, and current levels of service are acceptable to the majority of customers.	We will maintain our current levels of service.
The majority of customers find the proposed 1 in 500 year level of drought resilience by 2039 acceptable, and recognise that drought measures would be a last resort in exceptional circumstances.	We will plan to the 1 in 500 year level of resilience.
The overwhelming majority of customers say it is very important or important to protect the environment.	This is a huge subject area covering multiple elements of the work that we're undertaking. All of our options and schemes involve a full environmental assessment. We're looking at both supply side and demand side commitments, including a 50% reduction in leakage and helping customers to reduce their usage to ensure that we minimise the amount of water that we need to take from the environment. See below for more information on our Environmental Destination Programme
Customers are mixed in their views of how fast we should tackle the Environmental Destination challenge, with a slight preference for an adaptive approach.	We have included the current regulatory needs early in the plan and have assumed that the Environmental Destination is achieved by 2050 in our main plan. We have also run alternative scenarios that consider if it could be delivered earlier as part of our adaptive plan. We are proposing a comprehensive investigation and options appraisal programme, to reduce uncertainty, which will underpin future water resource plans.

Overall our customers have been supportive of compulsory metering, driven by the need to solve the future deficit and protect the environments. They recognise the additional benefits which would come from AMI metering. There remain concerns about the compulsory nature and the impact on bills for families and those more vulnerable.	We are continuing with our ambition from DWRMP24 19 for universal metering by 2035, but with a move to a compulsory programme utilising AMI technology to maximise the benefits to both customers and demand management. We remain committed to provide support to vulnerable customers through schemes such as 'The Big Difference' implemented in AMP 7.
Whilst affordability and water quality are top of mind priorities for consumers, the environment and the importance of water efficiency are also spontaneously identified as key areas of focus. Customers want to see Severn Trent providing information, free/discounted products, services and incentives to reduce consumption.	We will continue to offer these services to customers and engage with them on water efficiency. We will also continue to evolve innovative targeting of water efficiency messaging across all of our customer base.
We asked customers about water efficiency labelling for domestic appliances, such as washing machines, and what factors would be most important when buying a new appliance. 64% of respondents ranked water consumption in their top three, following energy consumption (90%) and cost (81%). The vast majority of respondents (81%) wanted to see this implemented in the next 2 years.	We have lobbied hard through both Water UK and Waterwise to encourage the Government to introduce mandatory water labelling and minimum standards within water fittings and building regulations. They have stated that they are introducing this in 2024 and we strongly support this.
Leakage has always been a key issue for customers. Throughout our research and customer interactions they repeatedly express concern about the amount of water that is lost through leakage.	We have made a commitment to reduce leakage by 50% by 2045

Our Approach to Customer Engagement

Since PR14 we, and the rest of the water industry, have significantly improved the maturity of our customer insights and how we use them in business planning. Our approach for DWRMP24 and PR24 takes into account:

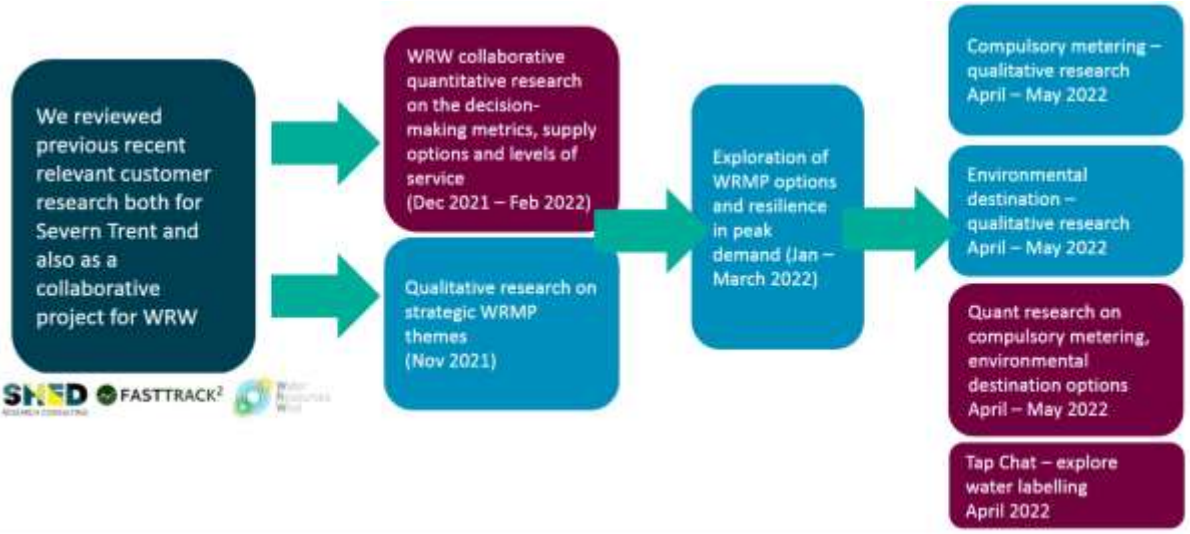
- Ofwat and CCW expectations, and in particular proportionality, collaborative and ensuring the research is meaningful to customers.
- Expectations from the Environment Agency on customer engagement for DWRMP24.
- The scope for customer insight to shape the plan.
- Our legacy – we aren't starting from scratch, we are building on an extensive programme of research over the last five years, both for the price review but also our significant programme of continual research.

There are **five key elements** to our PR24 and DWRMP24 insight strategy, as described in the Figure H1.1 below:

Figure H1.1 - The five key elements of our WMRP24 customer engagement insight strategy

Our programme of work to inform the DWRMP24 has encompassed the following key steps:

Figure H1.2 - Customer engagement programme of work



Throughout the process we have engaged with CCW to get challenge on our approach and findings, alongside the launch of our Expert Challenge Panel in May 2022. The customer research activities we have undertaken that are most relevant to the development of the dDWRMP24 are listed in the following Table H1.3.

Table H1.3– A summary of customer research activities

Research study	Date	Customers engaged
Proactive metering – focus groups and depth interviews with customers who have had a meter proactively installed in AMP7 but who are not billed by the meter.	May 2021	34 HH customers, mix of life stage and some vulnerabilities
Social barometer tracker – survey on a range of topics including wider customer priorities, the environment, climate change and investment priorities.	Sept 2021 Dec 2021 March 2022	Representative sample of HH customers (500 per wave)
Strategic priorities 3-week online community to explore a multitude of future priorities, drought resilience and the environment.	November 2021	30 Bill payers (HH), 10 future customers, 10 small businesses (NHH) and 5 vulnerable customer depths
DWRMP24 decision making metrics – survey in conjunction with UU and SSW on customer preferences for metric weightings for the MCDA tool and supply demand option rankings, and levels of service.	Jan / Feb 2022	Representative sample of 624 HH customers and 149 NHH
DWRMP24 options – deliberative research to explore customer views on DWRMP24 options including metering, water efficiency, leakage and supply options.	Feb / March 2022	44 HH customers and 10 NHH customers
Environmental destination – reconvened online community (from Strategic Priorities research) to explore the environmental destination in more detail.	May 2022	40 HH, NHH and future customers, reconvened from the Strategic priorities research
DWRMP24 deep dive survey – survey to explore customer views on the environmental destination and universal metering.	May 2022	1000 HH and NHH customers
Universal metering – deliberative workshops on universal metering.	June 2022	34 unmetered HH customers
Water Source Changes – research for a club of water companies including Severn Trent on the Strategic Resource Options (SROs).	Feb – June 2022	96 customers in the qual phase, 1762 HH customers and 198 NHH customers in the quant phase
Total customers engaged		5,546

We have also discussed several DWRMP24 related topics with the members of Tap Chat, our online community of over 7,500 members. In December 2021 we migrated Tap Chat to a new platform and recruited new members, giving us a "fresh" set of engaged customers.

Table H1.4 – A summary of tap chat activity

Tap Chat topics (surveys, discussions and polls)	Date	Member participation
Priorities for the next 30 years	June 2020	450
Metering – poll and discussion	March 2021	290
Perceptions of household water usage	March 2021	520
November / December 2021 - migrated to new platform and membership refresh		
Climate change adaptation – discussion	November 2021	163
Priorities for the next 30 years (with new members)	January 2022	624
Water resilience – survey	Feb 2022	1477
Water appliance efficiency labelling – poll and discussion	April 2022	1225
Peak demand text message - survey	May 2022	850
Total member views 5,629		

We have triangulated the findings from our research with any relevant CCW and Ofwat and wider industry research. The reports we have referenced include:

- CCW – Public views on the water environment, July 2021
- Blue Marble – communicating with the public about climate change – cold facts and hot air
- Blue Marble – understanding water usage in the garden
- CCW – Sink Sense: Kitchen sink habits caught on camera
- CCW – WaterVoice: Views of current customers on water resources, October 2021
- Ofwat – Cost of living – Water customers' experience
- CCW and Ofwat – Customer Spotlight: People's views and experiences of water
- CCW and Ofwat – Understanding customers' preferences for Performance Commitments at PR24, April 2022
- CCW – Water Awareness Survey, May 2022

H1.2.1 Water Resources West (WRW)

At WRW level, Shed have conducted a thematic triangulation of all customer research from the WRW companies, analysing almost 100 pieces of research and external publications. The full report from Shed is included within the WRW regional plan, but we have included a summary of the key regional findings in Figure H1.2. Overall, there is a great deal of consistency in the key messages we are hearing from customers, including the preference for demand management before investing in supply schemes, and the growing acceptance of smart and compulsory metering.

Figure H1.3 – Summary of all WRW Customer Research

H1.2.2 Reflecting Ofwat's principles for high quality research

In their position paper[1] Ofwat established a series of principles designed to drive high quality research and ensure the views of customers are properly captured and represented in decision making. In this section we explain how we have met each principle throughout our engagement programme as shown in figure H1.4

Figure H1.4 - Ofwat's principles for high quality research

Useful and contextualised – research should have practical relevance. It should be clear why the research has been undertaken, what it will contribute and how. The research should be designed with quality rather than quantity as a priority. Findings should be presented alongside a wider evidence base.	**Neutrally designed** – research should be designed in a way that is neutral and free of bias. This should be considered at every stage in the project and evidenced.	**Fit for purpose** – the research sample and methodology should be appropriate for the research objectives. Participants should be able to understand the questions they are being asked and the surveys should limit the use of forced choice options.	**Inclusive** – research should include different audiences and socio demographics, considering local or regional or national populations, business customers and business retailers. Where possible, research findings should identify and report on variances by socio-demographics and consumer types.
Research programmes should be **continual**, enabling day to day insight gathering, as well as specific and relevant research for informing business plans and long-term delivery strategies.	**Shared in full with others** Research findings should be published and shared in full, as early as possible with as wide an audience as possible.	**Independently assured** – research should be reviewed by individuals or groups that are independent of water companies and have a range of relevant skills and experiences.	**Ethical** – research should be conducted in line with the ethical standards of a widely recognized research body – such as the Market Research Society or the Social Research Association.

Useful and contextualised

For each research project we define clear objectives, which are agreed with the internal subject matter experts, set out in the research brief and are clarified in full with the appointed research agency when the research commences. Research objectives are regularly reviewed throughout the project to ensure the research will deliver to our internal needs, and findings are disseminated both internally to the relevant project teams as well as in regular challenge sessions with CCW. Where relevant we observe research workshops and focus groups with customers (either face to face or virtually) to hear first-hand what is being discussed.

1 PR24 and beyond: Customer engagement policy – a position paper

As we designed our DWRMP24 research programme we were conscious that ultimately customers bear the costs of research. We firmly believe that quality rather than quantity is important and take this into account in the choice of methodology and research design. For example, a piece of deliberative research might be the most appropriate choice of methodology for a topic such as future resilience but will involve around 50 customers compared to an online survey which could easily involve 1-2,000 for a similar cost.

Wider evidence base: in this chapter we present all research findings as part of a wider evidence base, including triangulating the findings with any relevant CCW, Ofwat and wider industry research, as well as research conducted at the regional level.

Neutrally designed

Our research discussion guides and stimulus materials are designed by third party research agencies to be neutral and free from bias. Participants are encouraged to give open and honest perspectives, and reassured that Severn Trent are open to listening to their views and using them to shape the plan (rather than purely to ratify already made decisions). For example, in our deliberative research on the Environmental Destination we took care, and advice from the independent research agency, to present the delivery approaches in a non-leading fashion, and not to reveal information about the regulator's expected outcome.

Fit for purpose

Methodology: We have reflected on the approach to customer engagement we developed for PR19 and concluded that the strategic research framework we developed at the time, alongside our Customer Challenge Group (CCG), the Water Forum, remains valid. We have risen to the challenge of working through the Covid-19 pandemic by adapting our tools and techniques to include more online deliberative research, as well as telephone research with those who are digitally disenfranchised. In June 2022 we have been able to cautiously return to face-to-face research with our first in person workshops on compulsory metering.

Sample size: defining the research sample is a balance of cost, robustness and the objectives of the research. In deciding on the appropriate sample for each project we take into account:

- The materiality of the decisions that the insight will shape.
- The methodology, and whether qualitative or quantitative techniques are required.

We use Tap Chat for polls, discussions as well as surveys which are representative of our customer base. We recognise that as we have engaged with members, they become more than typically informed of the challenges Severn Trent face, and we take this into account in our triangulation.

Understanding the questions: in all our research we take care that participants can understand what we are asking them. We do this through:

- **Asking them directly within the questionnaire –** for example in our research on the dWRMP24 multi-criteria decision tool metrics, we asked participants "Did you generally feel able to make comparisons between the choices presented to you?" and 99% of participants told us that they did. In our surveys we typically ask members if they have any (free text) comments at the end of a survey and analyse this data to assess understanding of the research.

"I really enjoyed taking part in this survey. It looked good on my laptop and the questions were easy to answer. Thank you for the opportunity" HH customer, Social barometer wave 1

"Really enjoyed this survey, mattered to me" HH customer, Social barometer, wave 1

- **Validity testing** – where appropriate we can test the validity and reliability of the results. For example in the DWRMP24 multi-criteria research the analysis assessed the cognitive and construct validity,

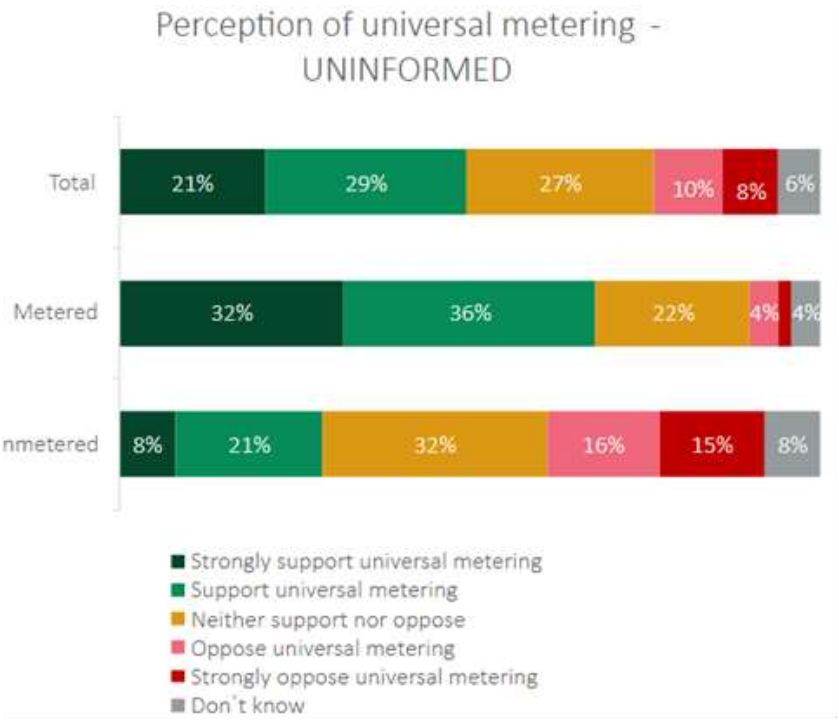
which showed that participant feedback on the choice exercises was positive and that the differences in valuations across groups are in line with expectations.

- **Observing** – by observing qualitative research sessions ourselves we are able to witness first-hand the levels of engagement, dialogue and understanding of participants.
- **Gathering qualitative feedback** – at the end of our deliberative research we gather feedback from participants on the research experience to understand what they found enjoyable about the process and what aspects they might have found more challenging. For example, in our Strategic priorities research participants said they found it to be interesting and enjoyable, and welcomed the opportunity to have their voices heard. Overall, they gave the experience of taking part, including understanding the tasks and questions, a rating of 9.2 out of 10.

"I think there was a great amount of information which was really interesting. I enjoyed the experience and think that it was well organised. I don't think there was anything that could really be improved" SME customer, Strategic priorities research

Limiting forced choice options: we take care in our surveys to ensure that forced choice options are limited where possible, for example by ensuring there is an option for "neither support nor oppose" as well as a "don't know option". This can be seen in Figure H1.5, taken from our research on universal metering.

Figure H1.5 – Perception of universal metering



We also seek unprompted and spontaneous views from consumers where possible. An example of this is the discussion on Tap Chat on Priorities and concerns for the next 30 years, in which participants were invited to raise what was important to them, rather than discussing our internal agenda. Our social media scraping project also seeks to gather those unprompted views, rather than relying on us asking consumers for their concerns.

Inclusive (who we have talked to)

Throughout our research programme we have tried to include a wide range of different audiences and demographics to ensure a full understanding of our consumer base. We routinely include a sample of future customers in our research to capture their views, as well as non-household customers and those who are vulnerable (from a financial perspective and / or a health and wellbeing perspective).

Where sample size allows, our research will identify differences in views by socio demographic and customer types, for example in our DWRMP24 decision making metrics survey we see how those older customers and those with no dependent children have a greater acceptability of TUB levels of service.

Inclusive (research methods)

By using a variety of research methods, we have ensured that our research programme is as inclusive as possible. The methods we have used range from face-to-face research in community locations to surveys with online panels, telephone interviews and digital tools to ensure research is engaging.

Shared in full with others

We intend to publish the reports of our research in full on our website, alongside the PR24 plan. We also collaborate with WRW companies on a regular basis and have shared the findings of all relevant research with them.

Ethical

Each research project is commissioned with an external research agency and is conducted in line with the Code of Conduct of the Market Research Society. Our Seven Trent research team keep up date with any relevant changes to the Code of Conduct through continued professional development, quarterly MRS Research and Policy standards webinars and other ad hoc guidelines (such as the advice issued on research during the Covid pandemic).

Independently assured

Our approach to, and findings from, customer engagement have been assured as part of the DWRMP24 assurance process. We are also engaging CCW and the PR24 Expert Challenge Panel to get challenge on our approach to engagement.

Continual

Alongside our strategic research for the price review, we are aware of the thousands of day-to-day touchpoints with customers, whether it's through customer contacts, social media conversations or conversations with customers as part of the capital programme delivery. Our DWRMP24 represents just one part of our wider programme for the PR24 plan, and builds on the insight gathered in past research and as "business as usual".

H1.2.3 What we have learnt from customers

The context

Climate change

Throughout all our research, and that undertaken by third parties, a consistent theme emerges in terms of the growing concern amongst customers about climate change. Even though this isn't the most pressing issue at the wider societal level, pollution, conservation and the impacts of extreme weather feature strongly in customers' concerns[2].

71% of customers believe climate change is already having an impact in the UK, and 61% are more concerned about climate change than they were 2 years ago[3]. Extreme weather, higher temperatures (and especially hotter summers) and increased levels of flooding are the key indicators for customers in their local area. Customers expect climate change to impact them personally in their lifetime and many don't think that water companies are sufficiently prepared for the challenge.

"Severn Trent will need to deal with extremes of weather. Nobody can rely on traditional seasons anymore" Member, Tap Chat, Climate change discussion

"Increased need for water at dry times and the increased amount of surface water to manage at wet times – these times will maybe increase in intensity" Member, Tap Chat, Climate change discussion

Awareness of water scarcity

As we found throughout our DWRMP19 research, water remains a low salience topic and is perceived to be low cost and abundant compared to other resources. Awareness of water scarcity and the environmental impact of supplying water is low, and the future supply demand deficit is "new news" to most. In the research conducted for the SROs on Water Source Changes only 10% of customers strongly agreed with the statement "I worry about the amount of water available for use in my local area".

Once informed, the predicted deficit is a shock for customers and does cause concern. Some question why the issue has not been better publicised.

"I realise that water seems to be becoming scarce in some parts of the world, but was unaware of the immediate problems close to home" Unmetered customers, Universal metering workshop

Across the literature, as well as our research, the environment is felt to be one of the most important socio-political issues of the day. However, water scarcity is rarely viewed as a key aspect of this or mentioned spontaneously in such discussions. When prompted with a range of concerns, one study[4] found that the top environmental concerns were global warming, followed by water, air and plastic pollution. Another study[5] found that the availability of future water supplies ranked 8th (out of nine) compared to other environmental and societal issues as shown in figure H1.6

Figure H1.6: Graph showing customer ranking of environmental and societal issues

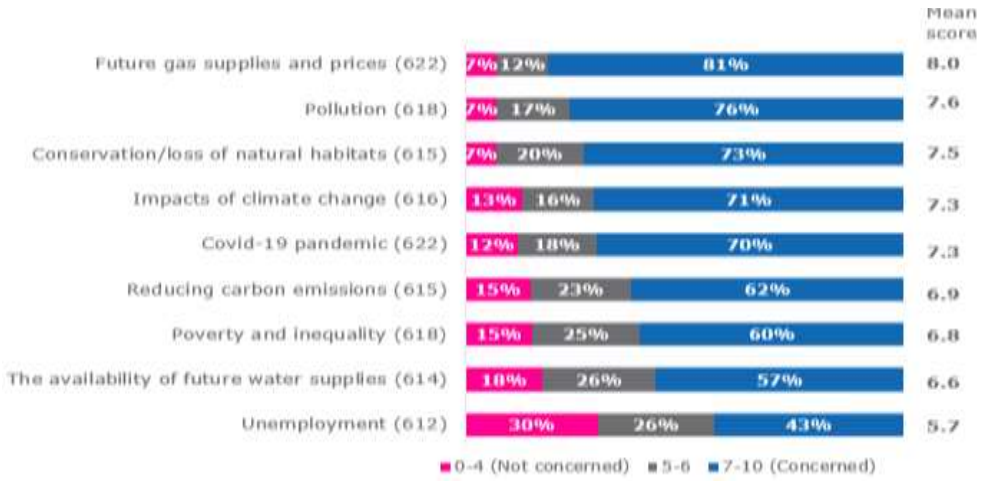
2 Social Barometer survey, wave 1

3 Social Barometer survey, wave 1

4 Strategic priorities research

5 WRMP decision making metrics

On a scale of 1-10, where 1 is not at all concerned and 10 is extremely concerned, how concerned are you with the following. HH customers



We asked this ranking question again in another study after information had been provided about the water resource challenge and predicted future deficit. We see the availability of future water supplies rise to become the 5th highest concern. The only other significant ranking change was the concern over the Covid-19 pandemic dropping considerably as restrictions had been eased when the second study took place.

Water usage and behaviours

Customers are unaware of how much water they use in their home on a daily basis, with on average customers thinking they use just over 100 litres per day for their household[6]. Overall, customers believe that they don't waste water, and feel they are mindful when necessary. 86% agree that their household tries really hard not to waste water at home[7], with metered customers and those over 55 more likely to agree.

A literature review conducted by BritainThinks as part of the Water Source Changes Project found that where water saving behaviour does happen, it is motivated by finances and a sense of responsibility, not water scarcity. This chimes with the findings from our own research as shown in table H1.5

Table H1.5 – reasons for water saving behaviour

Reason	Explanation
Moral responsibility	People have a sense of responsibility to be mindful of their water use, with wasting water often discussed in moral terms as "bad". This motivates some people to refrain from behaviours of wasting water (e.g. shorter showers, turning off taps when brushing teeth)
Financial pressures	Broadly, water is seen as a cheap resource. However, people who are more financially constrained and at risk of experiencing hardship with even small increases in monthly costs are more likely to be conscious of and reduce their water usage, motivated by the need to keep bills down.

Most customers we spoke to in our dWRMP24 deliberative research8 are not actively seeking to change their behaviour, although they are mindful of not wasting water (for example not leaving taps on when not in use).

6 Perceptions of household water usage survey (Tap Chat)

7 Peak demand text messages, Tap Chat survey

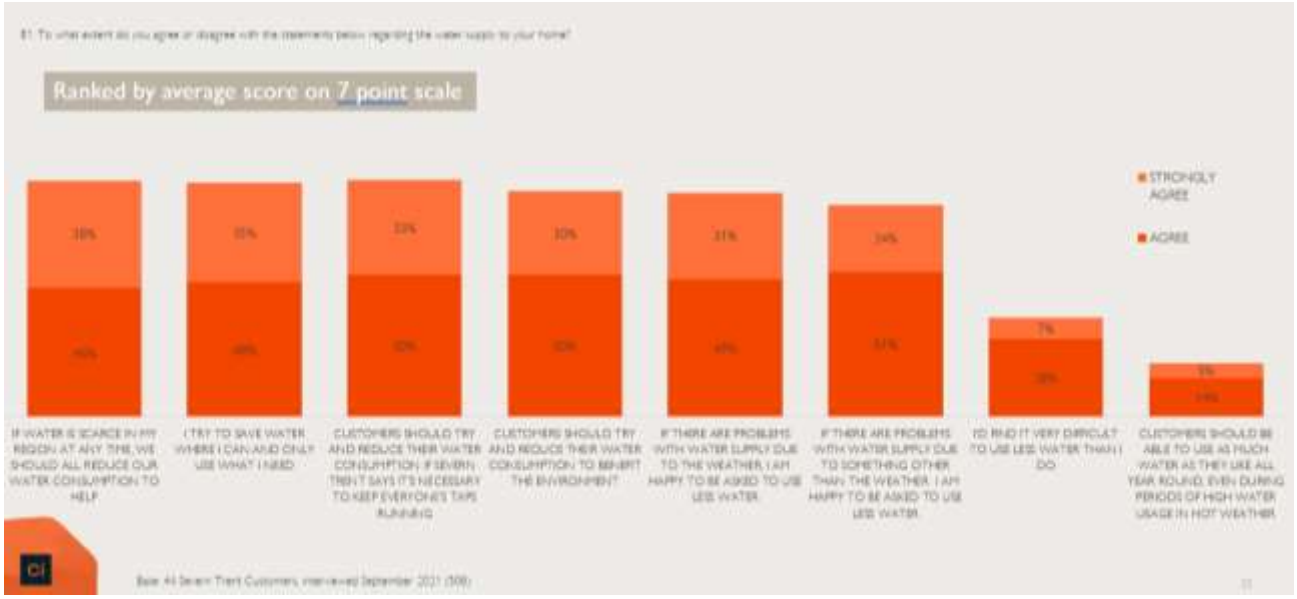
8 WRMP options deliberative research

In our deliberative research we find that most agree that "water is precious, and we all have a responsibility to conserve it".

Whilst the majority agree they are happy to limit their usage if requested[9], there is felt to be little motivation for further changes, or drivers of these behaviours are often solely financial (especially for those on a meter). Those who are more environmentally conscious are more likely to agree.

We find that, unaware of the issue of future water scarcity, customers tend to consider water usage from a consumer rather than citizen mindset, considering their own needs and bills ahead of the broader societal requirements.

Figure H1.7 – Customer views on saving water



42% agreed that they do more to save energy than they do to save water10, and 35% agreed with the statement "we get a lot of rain around here, so I don't worry about being short of water".

Cost of living

Across multiple research studies we find that there is high awareness of the increasing cost of living and customers are nervous about future bill rises. However, they aren't thinking about water in these conversations and the impacts of future resource issues. This chimes with national research Ofwat conducted in Spring 2022[11] which found that two in ten bill payers are concerned about the cost of water, compared to six in ten concerned about the cost of gas/heating. Concern over affordability is also a key finding in the WRW report, driven by worries about the wider economic situation, inflation, cost of fuel and food.

9 Social barometer research

10 WRMP decision making metrics

11 Cost of living: water customers' experiences

Responsibility for addressing water scarcity

In both our deliberative research and quantitative studies, we find that meeting the challenges of climate change and drought to ensure there is enough water for everybody is a key priority for customers[12,13].

Addressing water scarcity is seen as a joint responsibility between water companies, Government, Ofwat and customers, and there is an expectation that Severn Trent has plans in place to address this. The Government is seen to have a role in raising awareness of the problem, ensuring longer term societal developments are created with the deficit in mind and putting necessary legislation in place. Ofwat is seen to have a role in creating the necessary regulations to manage the deficit and incentivising low usage. Severn Trent is to have a role to play to put in preventative measures to ensure supply can continue to be met, and in educating and supporting customers on lower usage. And customers are seen to have a role in being more aware of the water they are using and cutting down accordingly.

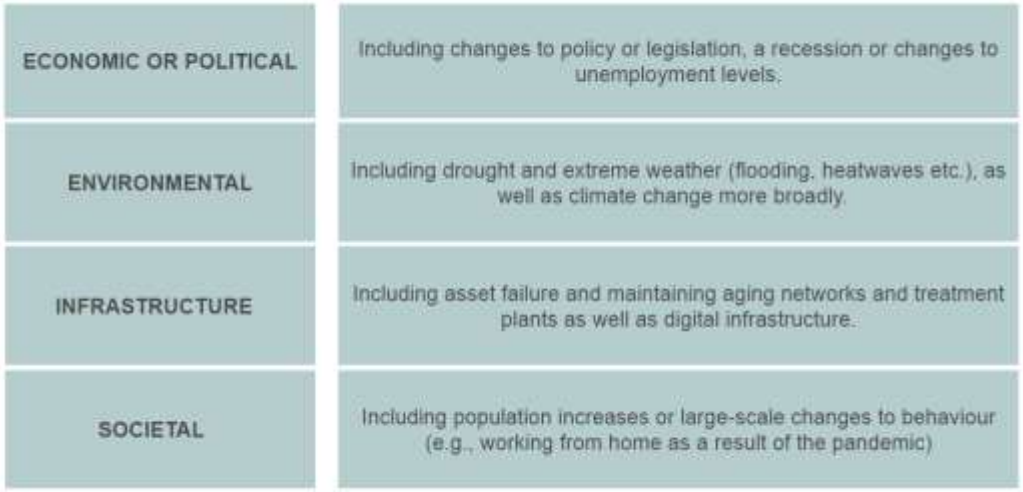
"The water companies and government need to lead this together. Government need to hold water companies to account and support where necessary, but water companies, as the beneficiaries of investment, need to plan and lead effectively" Business customer, medium size

"Water in this country, although plentiful at times, is a finite resource. Knowing that, and being closely aware of climatic trends for the near and mid-term future, water companies should make greater efforts to strengthen the infrastructure for water delivery, ensuring that the minimum quantity of leaks occur, not on a reactive basis but in a preventative form" HH customer, Strategic priorities research

Planning for the future

In planning for the future, customers have a degree of trust in the Severn Trent experts - 59% of customers agree we are taking care of the water network for future generations, and more generally in deliberative research customers express trust in Severn Trent selecting the right solutions. They also have some key expectations. They want to see Severn Trent plan for a range of environmental and economic events, which are all considered equally important.

Figure H1.8 - Customer expectations regarding factors Severn Trent should plan for



Climate change is recognised as a key future focus, and customers are pleased to see Severn Trent considering this. Adaptive planning is seen as a sensible approach and there is a high expectation of the most up to date

12 Social barometer, wave 3

13 Strategic priorities research

technology and thinking being used to inform decisions. Some customers would like to see water companies sharing information to help them collectively prepare.

"It seems reasonable to follow the best scientific advice available, and that they have more than one plan dependent upon outcomes" Small business customer, dWRMP24 options research

Customers views on our levels of service

Temporary use bans (TUBs) and non-essential use bans (NEUBs)

TUBs and NEUBs are not considered particularly impactful measures for consumers, and current levels of service are acceptable to the majority.

In our PR19 and dWRMP19 research we found that temporary use bans are considered acceptable in principle and a pragmatic approach to circumstances, which would have relatively minimal impact on customers' lives. These findings are largely echoed in the research we have done for DWRMP24 at both company as well as WRW level.

Recent research by CCW for England and Wales[14] finds that hosepipe bans are the least important service aspect for domestic customers. In the event of a ban, people felt they would be hardly impacted as alternative solutions exist for most. Whilst water providers could manage water supply to a certain extent, people believed that water shortages were driven by environmental factors outside of their control, i.e. long periods of hot weather.

In our research we find that Severn Trent customers are often confused about when restrictions to supply have last been imposed in the region, when in reality the last formal hose pipe ban was in 1995/96. For example, 25% of HH customers told us they had experienced a restriction in the past 3 years, and only 41% had never experienced one[15]. Customers could be confusing a formal temporary use ban with direct messaging (e.g., via SMS) asking them to use less water for a few days during a heat wave to alleviate peak demand. 33% of our Tap Chat members remember getting a message from Severn Trent asking them to use less water in the past 2 years, and 11% say that they remember a hosepipe ban.

In the Strategic priorities research (Nov 2021) we found that TUBs are largely acceptable if customers feel there has been adequate forward planning, and indeed more frequent restrictions would be acceptable for many. A TUB is largely seen as a "small price to pay" as long as customers are informed in advance, a clear rationale is given, everybody abides by the rules and the company has done everything it can to mitigate and prepare. A handful of participants feel that they company should be more proactive by increasing supply and feel the public is being punished for poor planning in the past.

"Sad but there is no point in feeling angry with the results of a natural situation" Bill payer, Strategic priorities research

"I would feel like the public is being punished for the poor planning of the utility company. They wouldn't massively affect me, but for those that have gardens and use hoses it would massively" Future customer, Strategic priorities research

14 Understanding customer preferences for Performance Commitments at PR24

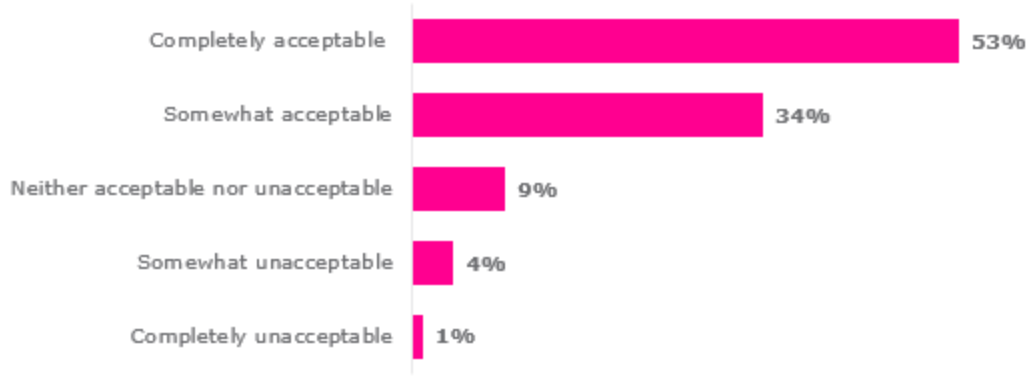
15 WRMP decision making metrics research

"It is an event that would happen two or three times in our lifetimes, I am sure we could all cope with a couple of temporary inconveniences. Water for many people in the world is a luxury, having a hosepipe ban once every three decades is a first world issue." Bill payer, Strategic priorities research

Non-essential use bans for businesses were also accepted but there was evident concern for affected businesses and the economic impact. However, there was a feeling that the pandemic has shown how significant measures (such as the forced close of non-essential businesses) can be taken, and it is assumed these won't be taken lightly.

The evidence from our survey[16] supports this finding - 87% of HH customers consider the current level of service for TUBs to be acceptable. Only 4% consider it to be unacceptable. Within these findings there are some interesting differences by age, with 95% of those over 65 considering it acceptable and only 66% of those under 35. Those without dependent children are more likely to consider it acceptable (90%), compared to those with children (78%). The figure below summarises these findings.

Figure H1.9: Please tell us how acceptable you find this level of risk (HH TUBs), DWRMP24 decision making metrics survey. Base 619 HH customers

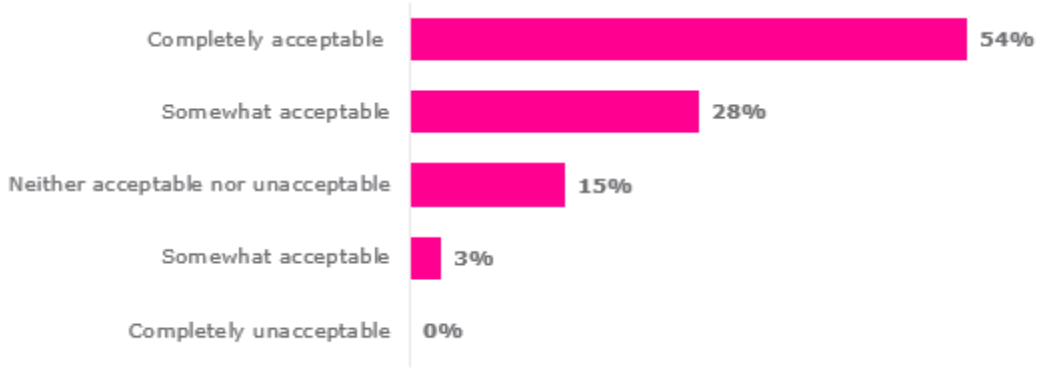


Only 11% of HH customers would pay for an increased level of service, and 26% would accept a lower level of service (more frequent restrictions) and a reduced bill. Those with dependent children were more likely than those without to state they would be happy to pay for an increased level of service.

When it comes to non-essential use bans for NHH customers, 82% of NHHs found the current level of service acceptable, although 19% would pay more for a higher level of service (the costs for this were not specified), and this rises to 49% for businesses who pay more than £3,000 per year on their water bill.

16 WRMP deep dive survey

Figure H1.10: Please tell us how acceptable you find this level of risk (NHH NEUBs), DWRMP24 decision making metrics survey. Base 148 NHH customers



Drought resilience

The majority of customers find the proposed 1 in 500 year level of resilience by 2039 acceptable, and recognise that drought measures would be a last resort in exceptional circumstances

At dWRMP19 we found that customers found the predicted frequency of being required to implement emergency drought measures acceptable, and reducing this risk was a low priority for customers.

For dWRMP24 companies are required to be resilient to a 1 in 500 years drought event. We have used both deliberative research and quantitative research to understand customer views on the proposed improvement.

Customers expect emergency drought measures only as a last resort, and there was a general feeling that if they were necessary and there was no alternative, people would pull together with a shared sense of collective responsibility. Many participants in our deliberative research pointed to times of difficulty when there has had to be a collective response (for example during the Covid-19 pandemic, the 2007 flooding in Gloucestershire and the 1976 drought), however future customers did not tend to have this broader frame of reference and were more likely to struggle to imagine this eventuality.

"We just cope with it because you have to" HH customer, Strategic priorities research

"I believe that this would massively affect everyone's lives as we haven't had to live with this previously" Future customer, Strategic priorities research

Research by CCW for England and Wales[17] finds severe drought measures to be of low importance due to the extremely low probability. People were alarmed by the notion and the impact on their lives, but understood that the likelihood was very low as would happen as a result of extreme weather conditions which participants could not conceive of in the UK.

In our Strategic Priorities research, participants were divided on drought resilience, with just over half saying we should meet the required 1 in 500 level sooner, although there were some caveats based on costs and information on practicality being unknown. Reasons for wanting this level of service sooner include "why wait?" and the need for security and future proofing, whilst those who accepted the regulatory target felt that

17 Understanding customers' preferences for Performance Commitments at PR24

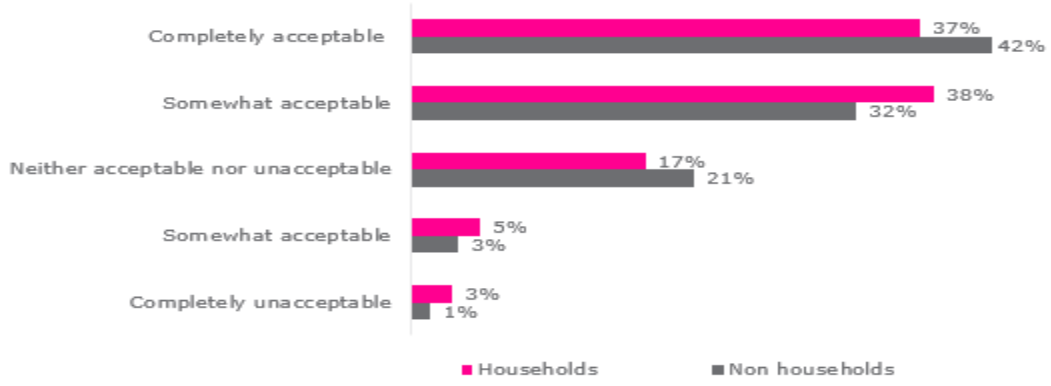
costs would be better spread over a long time period, other things are a priority, or it could be better to wait for advances in technology.

"We are all looking at ways of saving money so waiting until 2039 and spreading that cost over that period is much better for us all" Bill payer, Strategic priorities research

"I would be open to paying more now to secure water for my children. However, I would also like to understand more about what the costs are" Bill payer, Strategic priorities research

In our quantitative research we found that 75% of HH customers found it acceptable that we would meet the Government expectation of drought resilience. Similarly, 75% of NHH respondents found it acceptable. Only 8% of HHs and 5% of NHHs would find it unacceptable. Those who found it unacceptable typically stated this was due to the importance of a continuous supply of water.

Figure H1.11: How acceptable do you find this timescale (drought resilience)



The environment

We know from our research that protecting and improving the environment is extremely important to customers. In our deliberative research[18] we found that the overwhelming majority say it is very important or important to protect the environment. In our quantitative research, 71% agree with the statement that "Protecting lakes, rivers, reservoirs, fish and other aquatic plants and wildlife is really important to me"[19].

In our discussions on Tap Chat, we find that customers want us to both minimise the damage we do and also have a positive impact on the environment. This includes activities such as promoting grey water recycling, focusing on leakage reduction and encouraging lower water consumption as methods to help with environment.

Despite the importance of the environment, research participants can be surprised when informed about the challenges facing water environments, and particularly the link between river flow and health and more generally the environmental impact of supplying water to customers.

"I didn't think about the water companies using the water as having a direct impact as it is unseen on a day to day basis. It has made me feel like our water environments are more fragile than I ever thought and that a lot of people and things are damaging this" Future customer, Strategic priorities research

18 Strategic Priorities research

19 WRMP decision making metrics research

National research by CCW20 finds that there are high levels of awareness (91%) that personal water use, and what is rinsed or flushed down drains has an effect on the environment, although some struggled to say what that impact was, and water use is seen as having a lesser effect on the environment than other behaviours.

Customer views on delivering the Environmental Destination

We have conducted multiple studies to understand customer preferences on the Environmental Destination. In general, whilst customers are highly concerned about the environment, initial views on the need to protect the environment placing greater pressure on water supply are mixed.

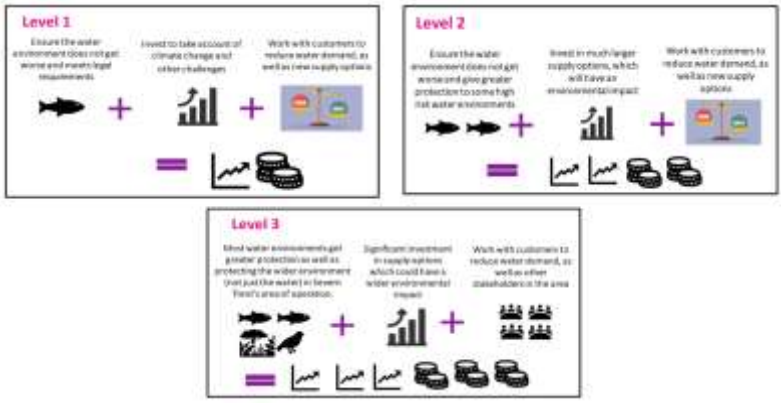
"It sounds quite negative for Severn Trent though, reducing the resource options to take from. Perhaps it would mean increasing water extraction at existing facilities, which may have negative consequences for homes and businesses nearby" Business customer, small business, DWRMP24 deep dive research

"It's a worry that the government are prioritising the environment over something as important as water supply. I imagine this will then have an impact on the customer bills" HH customer in vulnerable circumstances, 31-45, DWRMP24 deep dive research

"Climate change is the biggest worry for our society currently. Therefore, making these changes will aid the reduction of stress surrounding the climate" HH customer, unmetered, dWRMP24 deep dive research

In our deliberative research[21] we presented participants with the levels of environmental ambition that Severn Trent could aim for, as part of their Environmental Destination. We initially found that views were mixed, with the lowest level of ambition being least preferred.

Figure H1.12 – Three levels of environmental ambition



For those selecting level 1, cost is the main reason, particularly given the impacts of Covid-19 and recent price increases. There is also a feeling that this could be all Severn Trent can achieve given all the other challenges it is facing. Level 2 was felt to be a middle ground, balanced and proportionate staged approach. Level 3 was felt to be required to address an urgent problem, benefiting human health and wellbeing, future generations and the environment.

"I think we must strive to have the best environmental standards and look after our waterways and the surrounding environment. This will cost more but our water bills are relatively low and I for one would be

20 Water Awareness survey, CCW

21 Strategic Priorities research

prepared to pay more for these improvements. I think sometimes in the UK we settle for just doing the required amount, so it would be good to have the gold standard and have a water environment we are proud of." Bill payer, Strategic priorities research

At the end of the deliberative forum, we returned to the topic, presenting participants with further information about some of the trade-offs involved, particularly in terms of the potential carbon and wider environmental impact of developing new sources of water. One third of participants changed their views over the course of the forum, with 10 choosing a lower level (largely moving from Level 3 to 2) and 7 choosing a higher level (mainly moving from 2 to 3). Those lowering their preferred level are largely influenced by the need to balance cost, the environment and carbon. Some still state that their longer-term goal would be Level 3. Those moving to a higher level indicate their views about the importance of the local environment and reduced abstraction had cemented over the course of what they had learnt.

We returned to the topic in May 2022 with a reconvened deliberative forum[22] and through quantitative research. In these studies, we presented participants with two possible approaches to delivering the Environmental Destination – an adaptive planning approach, with some investment in AMP8 and extensive investigations to understand the situation further, and an approach investing more extensively in AMP8. These options are shown in Figure H1.13.

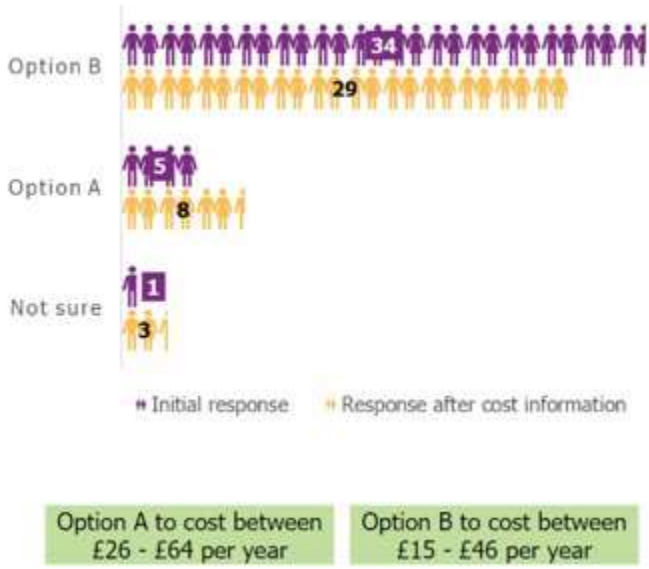
Figure H1.13 – alternative approaches to deliver environmental destination

We found that the concern over the cost of living crisis had become much stronger compared to the first study, and affordability was high on participants' minds.

22 Environmental destination deliberative research

Most preferred us to take an adaptive approach to our Environmental Destination. However some preferred a more ambitious approach, feeling that the issue is too urgent not to tackle "head on".

Figure H1.14: Number of participants who selected each option, before and after cost information was provided



Some reasons for selecting Option B were positive responses to that option, others were rejecting Option A:

- A measured staged approach feels sensible and pragmatic given the lack of certainty about the future.
- A staged approach will allow Severn Trent to capitalise on innovation and educate customers about the issues.
- It is more affordable given the pressures on the cost of living, and allows more time to work with others on reducing the environmental consequences of abstraction.
- Option A might result in negative carbon impacts, and there is some scepticism about large scale infra projects.

"I think that Severn Trent have a big challenge on their hands with some difficult decisions to make. I think a steady investment over a few years and more investigations is the way forward as hopefully this can keep prices to customers at a reasonable level" Bill payer customer, Environmental destination deliberative research

"Adapt as you go and not invest all at once in something you're not too sure of what's going to happen in the future" Bill payer customer, Environmental destination deliberative research

"It seems reasonable to follow the best scientific advice available, and that they have more than one plan dependent upon outcomes" Business customer, small size

The perceived need to act now is the main reason for selecting Option A:

- The problem is seen as urgent and pressing so not time can be wasted.
- Infrastructure solutions take time so action is required now.

However, participants still raised concerns over affordability.

"I feel that the environment in this time of climate change is so fragile that if we are to leave a habitable world for future generations drastic action must be taken if at all possible" Bill payer customer, Environmental destination deliberative research

"Finding new water sources will take a long time and will definitely not be easy so I believe it needs to be started as soon as possible. However, there is still the concern of higher bills" Bill payer customer, Environmental destination deliberative research

Alongside the deliberative research, which gives us the opportunity to spend time informing customers and answering their questions about the subject, we conducted a representative survey with 1,000 customers on the Environmental Destination and universal metering.

We find that more support the adaptive approach to delivering the Environmental Destination compared to starting more extensive investment now. Similarly to the deliberative research, the reasons for supporting Option A centre around doing the best now for the future and the environment and avoiding uncertainty. Those who support Option B are focused on the fact we will know more (following investigations) in five years' time and wanting to minimise wasting money on something that might not work or be needed. After seeing the potential bill impact there is a small shift of views towards Option A (extensive investment now) although support for Option B (an adaptive approach) is still higher and the differences are not significant.

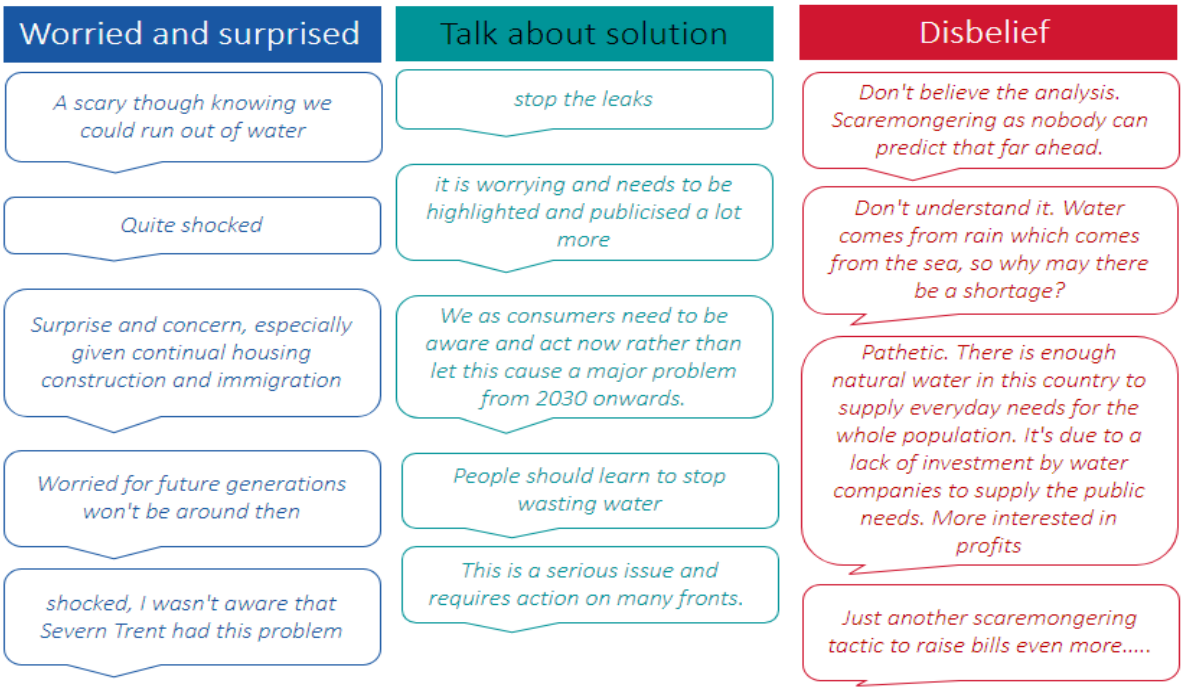
"Water is the cheapest of the utilities by a long way. Making an impact now would be better for all concerned in the long run" Customers, DWRMP24 deep dive survey

"Cost of living with energy prices will restrict the necessary investment or wishes of the public" Customers, DWRMP24 deep dive survey

Addressing the supply demand balance

Learning about the supply demand deficit prompts a mix of reactions from customers, ranging from worried and surprised to disbelief. The following Figure shows some of these views from our DWRMP24 deep dive survey.

Figure H1.15 – Customer reactions to the supply/demand deficit



Across multiple studies we have sought to understand customer preferences for the balance of solutions to address the deficit. Customers believe that water companies should be taking steps to respond to the issue of water scarcity and recognise that a mix of solutions (demand and supply side) is required. Whilst there are small changes in option ranking across different deliberative research studies there is consistency in the findings that demand options should be the first port of call, followed by developing new supply schemes[23]. This is also consistent with the findings at the WRW level.

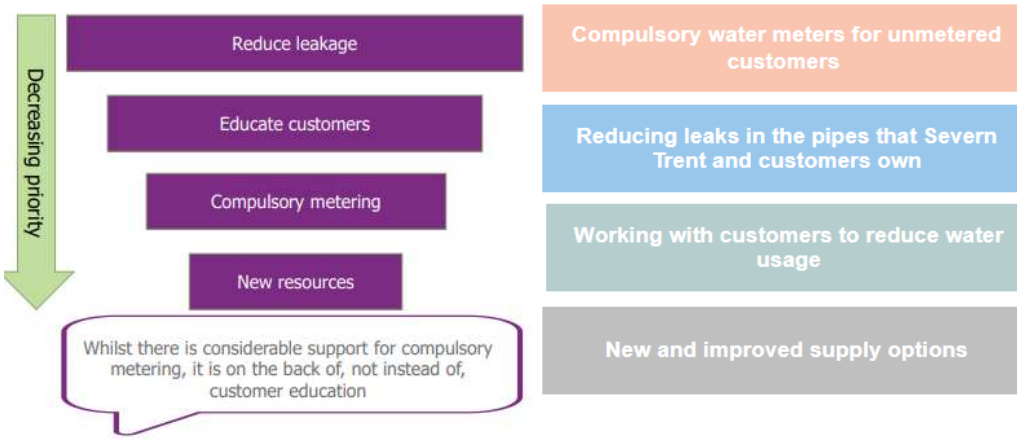
Reducing leakage consistently emerges as a strong priority, due to the importance that customers attach to this measure and their frustration with the waste of water particularly in the context of water scarcity. Leakage is highly emotive and tackling leakage is seen as a key enabler when asking customers to be mindful of their own water usage.

In our dWRMP24 options deliberative research we found that over the course of the research process, perceptions on supply demand options shift, and **compulsory metering** rises to the top – driven by the perception that it would be the most effective way to see a reduction in water consumption. There is growing acceptance that a compulsory programme may be necessary.

Education of customers is seen as vital to reducing demand, and on the back of this there is also support for compulsory metering. Although there are some concerns about affordability (exacerbated by the current economic climate) it is generally regarded as the fairer way to pay.

New resource options require more careful consideration, with customers recognising that they have an environmental cost, bill implications and they won't drive behaviour change.

Figure H1.16: Ranking of main supply demand solutions from two deliberative research projects



"If we start educating people to be more careful, waste less, [be] mindful of the environment and future generations this could really help in the long term. If Severn Trent look to find water elsewhere, it would mean customers are still using all the water they want having it in mind that "water will be available regardless of what we do" and this is not something we should have in our minds" Bill payer, Environmental Destination deliberative research

"Severn Trent should put more time and effort into sorting their wastage" Customer, Compulsory metering research

23 WRMP options research, Water Source Changes for the SROS, Environmental destination deep dive

Further detail on customer views on demand side reductions

Metering / compulsory metering

At dWRMP19 we found, when talking to customers about supply demand options, that metering received the most support (although it was described as increasing the use of water meters, rather than compulsory). Since then, Severn Trent, alongside other water companies in England, has been classed as water stressed. This means that compulsory metering is an option that they can consider as part of dWRMP24.

The majority of customers agree that metered charges are the fairest method for charging for water[24], with 66% of customers rating a metered charge as fair, compared to 24% rating rateable value as fair, and compulsory metering often comes up across our research as an effective solution to water scarcity.

"Making water meters compulsory would be an opportunity to focus everyone's mind on their consumption, along with education" Tap Chat member, climate change discussion.

39% of customers on Tap Chat[25] told us that they would switch to metered billing provided they wouldn't pay more, or would pay less, whilst 15% say they would need a financial saving of over £100 per year to switch and 22% said they would not be persuaded. The barriers are the fear of increased bills and bill fluctuation, unwillingness to reduce consumption, perceived hassle of the meter installation and lack of awareness of the (current) option to revert back.

When talking to customers about water usage during heatwaves, compulsory metering is suggested as an option to encourage customers to use less water, followed by new tariffs, education and finally limiting supply.

"Install a water meter for them, this may change their usage of water" Tap Chat member, Peak demand text message survey

In our deliberative research[26] participants perceived the roll out of metering as a necessary step to ensure a reduction in water consumption, believing other demand side options to be less effective in comparison. However, there are strong reservations about this switch, particularly the compulsory nature of it. They want Severn Trent to ensure a long lead time, clear communication and effective support for vulnerable customers. The table below summarises the pros and cons participants identified.

Table H1.6 – customer views on metering

Pros	Cons
- Seen as a fair way to determine bill amount - Viewed to be the most effective way to encourage behaviour change and reduce water consumption - Has the potential to give some cost saving if water consumption is reduced - Data to help reduce leakage is felt to be a key benefit	- Viewed sceptically by some, as a money making tool or way for water companies to place responsibility on customers - Further information is required about the bill implications and bill accuracy - Seen to disadvantage larger families or households - The compulsory nature of the scheme is disliked by some, who would prefer Severn Trent to take steps to explain the issue and get customers on their side rather than enforce

24 Severn Trent customer tracker, March 2022

25 Conversion to metered billing poll and discussion, Tap Chat

26 WRMP options deliberative research

"I think that it is sensible to let customers know that in the past we have been designated as a water scarce area, and implementing compulsory water meters could be a positive move for customers / environment" HH customer, 60+, metered

"Obviously I would prefer not to have one [a meter], but I can see why it makes sense" HH customer, 25-30, Unmetered

Concern over the compulsory nature of metering roll out is echoed in some of our other research, for example in our Strategic priorities research we found that more people preferred us to "communicate with customers to persuade them to play their part in water conservation" compared to "managing customers' water usage through compulsory (mandatory) metering", and that proportion who preferred persuasion increased slightly by the end of the forum.

To explore compulsory metering further we commissioned a deep dive deliberative project as well as quantitative research.

In our deliberative research with unmetered customers, we find that initial responses to compulsory metering are mixed – a few actively oppose the idea but more are ambivalent. Favourability is generally driven by expectations of whether or not an individual household will pay more, with the concept of fairness resonating less. Alongside price concerns, customers also currently value not having to consider their water usage and dislike that having a water meter would mean they would need to pay attention to this. Some are also resistant to the actual process and logistics of switching, feeling they don't have the time or inclination to organise it, and some simply dislike the concept of change. In particular, there is concern for how older customers would cope with this.

After deliberation, customers become more accepting of a potential compulsory metering roll out. The need to reduce water usage to counter the supply demand deficit and protect the environment are felt to necessitate this approach, but the uncertainty and compulsory nature of the approach remain sticking points. There are a range of concerns including the financial impact on low-income families and impact on the mental health of those more vulnerable customers.

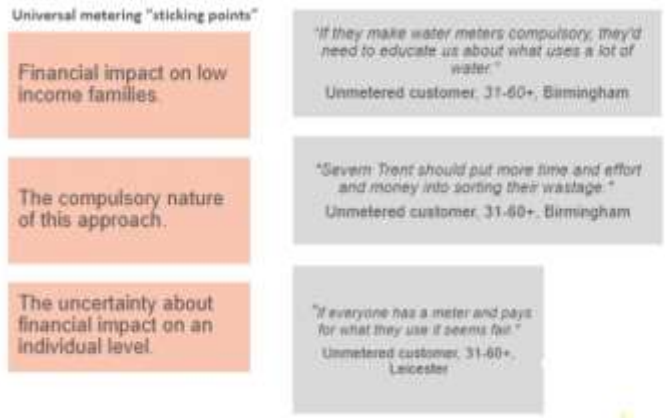
"You might be more stressed because you're aware of what you're using" Unmetered customer, Compulsory metering research

"My fear about enforcing it on people is that there will be those unable to drink or wash" Unmetered customer, Compulsory metering research

"Low income families are more likely to have more people living in a smaller place. It's another way of people who haven't got very much, paying more" Unmetered customer, Compulsory metering research

There is an expectation that Severn Trent will support those who are impacted financially, including by providing transition periods, clear education on reducing wate usage and potentially expanding existing financial support schemes.

Figure H1.17: Customer "sticking points" on universal metering



In the quantitative research we find that half of customers support the introduction of compulsory metering (prior to information being provided) with 27% neither supporting nor opposing it. When informed this rises significantly to 58%. Customers with an energy smart meter are more likely to support compulsory metering, as well as those who claim to be conscious about the environment.

The reasons for supporting and opposing compulsory metering echo those in deliberative research:

Figure H1.18: Reasons customers support and oppose universal metering

If Severn Trent go down the compulsory metering route customers want meters rolled out as soon as possible (49%) or by 2025 (13%), and 23% don't mind.

Figure H1.19: Uninformed and informed perceptions of universal metering

The installation of smart meters received more support compared to non – smart – 42% preferred the smart meter option (and 29% don't mind), which monthly meter reads the most favoured option.

Education on water efficiency

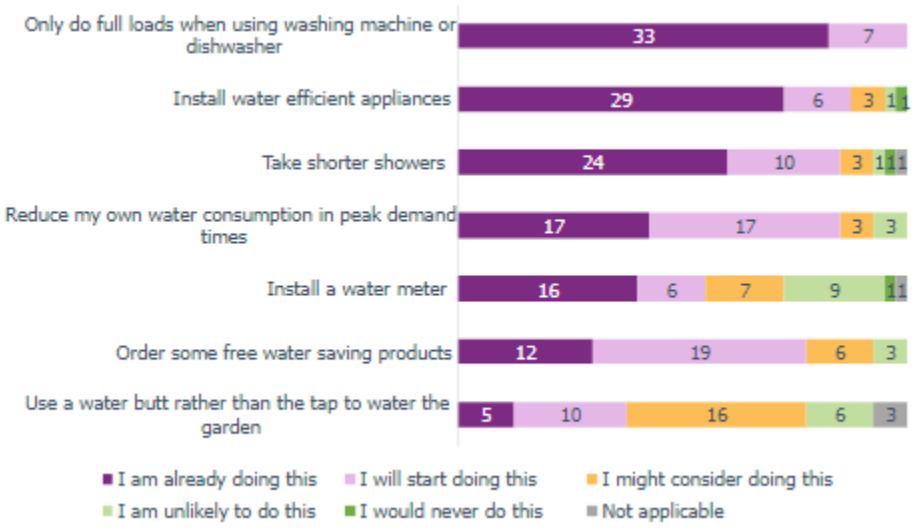
Education on water efficiency has always resonated strongly with customers. Whilst affordability and water quality are top of mind priorities for consumers, the environment and the important of water efficiency are also spontaneously identified as key areas of focus[27]. Water demand is also felt to be the area in which customer's role is clearest, compared to some of the other challenges like drainage, pollution and carbon emissions.

"Promote / offer programmes to individuals who still live at home from secondary school to encourage smart use of water. The education on why not to waste water I feel will help both individuals, the community and the planet" Future customer, Strategic priorities research

Willingness to take action does vary depending on the specific actions, and future customers appear to be slightly more non-committal than current customers.

27 Strategic priorities research

Figure H1.20: Participants views on the actions they could take to be part of the solution



To support action, customers want to see Severn Trent providing information, free / discounted products / services and incentives / rewards.

"Maybe give some free products or reduced priced products to entice and encourage people to try them out. My water butt is fantastic and I think every household should have one" Bill payer, Strategic priorities research

"Local communities can get together to compare and compete to reduce their household water usage and swap tips on how to do things. The biggest impact for me personally would be a sense of community participation" Bill payer, Strategic priorities research

Alongside metering, education is seen as a crucial supporting activity. To maximise effectiveness, Severn Trent should provide clear, simple information as well as actionable, tailored guidance and additional support to reduce consumption, such as water saving devices.

Table H1.7 – customer views on the pros and cons of demand reduction

Pros	Cons
- Overall, customers feel the target is achievable with support from Severn Trent - Seen as a necessary component, particularly given current low awareness of the issue - Seen to be easy to implement and cost effective - Seen to offer customers financial benefits through saving water	- Reliant on changes in customer behaviours which may be hard to achieve - Many believe their usage is already relatively low, including incorporating the suggestions discussed, and as such feel they would struggle to cut down their usage without the incorporate of new innovative options - Additional support is likely also required, e.g. supplying water saving devices, which customers expect to be free or subsidised

"I like the idea that we all cut down on water usage so much but some people really won't care so it needs to be drilled home and given through education. Providing more of the gadgets for showers, cisterns etc may help people cut back on water usage" HH customer, 31-45, Metered

"They are all more of less fair, however, from a personal perspective I fail to see how much more water I could save as I am not being 'wasteful' to begin with" Business customer, Medium

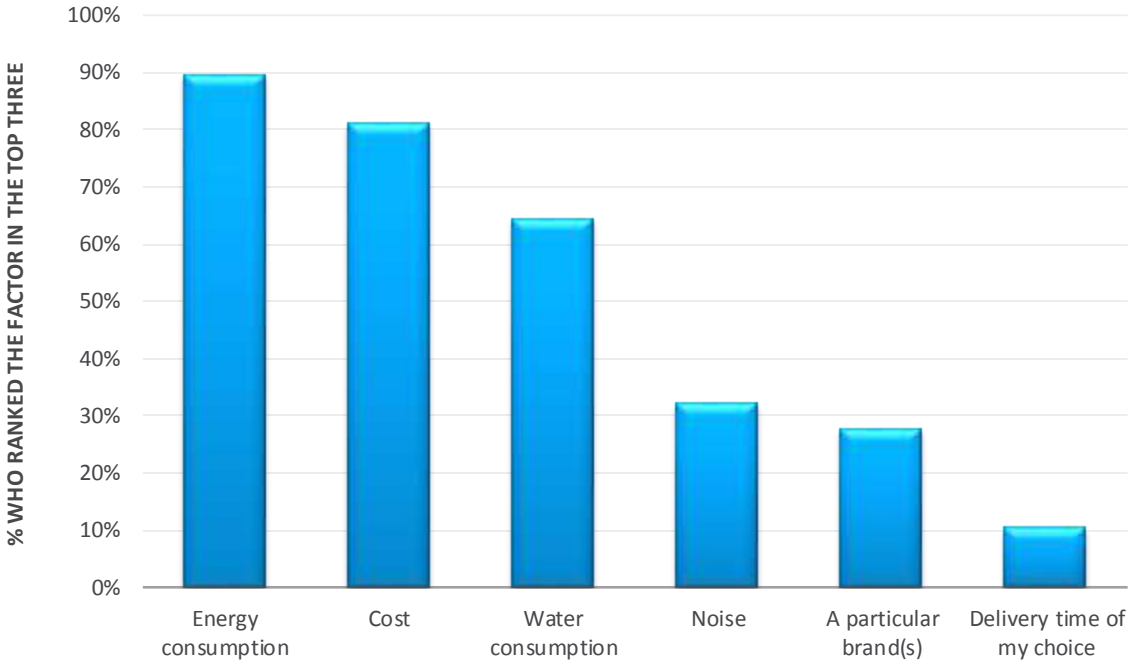
National research by CCW[28] finds that 62% of customers said they have not done anything in the last six months to use less water, while 30% said they had. The research also finds that attitudes towards water use and the environment are complex. Most respondents (85%) say they understand how reducing water use can help the environment, about a quarter would only save water if it saved them money and 18% think it rains so much there is no need to save water.

National observational research in kitchens and gardens[29] shows there is a weak connection between reported and actual behaviours – and suggests there is more to do to understand and influence behaviour in this space.

Water efficiency labelling for domestic appliances

We conducted a poll and discussion with members on Tap Chat, our online community, about water efficiency labelling for domestic appliances, such as washing machines. We asked them what factors would be most important when buying a new washing machine.

Figure H1.21 – factors considered important by customer when buying a washing machine



64% of respondents ranked water consumption in their top three, following energy consumption (90%) and cost (81%). The vast majority of respondents (81%) wanted to see labelling implemented in the next 2 years.

Although some linked energy and water consumption, mentioning that a machine with low energy consumption would be expected to have low water usage too, energy costs appear to be a driving factor in

28 Water Awareness research, CCW

29 CCWater, Sink Sense research and Blue Marble, Water usage in the garden

decision making and the current cost of living crisis and rise in bills has reinforced this. Some expect modern appliances to be efficient anyway and not use much water.

"At the moment because energy costs are so high I have not been thinking about water consumption" Tap Chat member

"As I am on a meter I try to reduce water usage and knowing how much each appliance is using would help" Tap Chat member

"I'm assuming that the amount of water we use in such appliances is relatively small compared to our total domestic use" Tap Chat member

For those not on a meter, water usage doesn't appear to be a high consideration due to the lack of financial incentive and failure to link to an environmental impact.

"As a customer paying high utility bills I find it not my problem how much water I use. There has to be financial incentive for me to consider reducing water usage" Tap Chat member

"As we are not on a water meter it is the least of my worries. I always go for more energy efficient as this is something that impacts the planet and costs" Tap Chat member

"I can't see the point really – energy use is more important than the odd litre of water saved" Tap Chat member

Leakage

Leakage has always been a key issue for customers and highly emotive. Throughout our research and customer interactions they repeatedly express concern about the amount of water that is lost through leakage. Reducing leakage is linked in customer's minds to keeping bills low, saving water and having an adequate supply for our customers. It is a fundamental responsibility of water companies, particularly if customers are being asked to change their behaviour. It is clear that most customers are unaware of the scale of the investment we've already made in reducing leakage and improving infrastructure.

"Severn Trent need to reduce the amount of water going to waste due to leaks, which will reduce the cost of water" Tap Chat member, Priorities and concerns research

"My biggest concern is water wastage through leakage. Don't you think it would be a good idea to start replacing old pipework now and not wait for bursts surely you have some idea how old some of the pipework is" Tap Chat member, Priorities and concerns research

Some customers feel that their expectations of leak management are not being met by their water company, with 59% of customers in research across multiple companies not agreeing with the statement "water companies are doing more to find and fix leaks than they used to"[30].

Research by CCW and Ofwat[31] also finds that reducing leaks is of some importance and a core mandate of water company and environmental responsibility. Despite leaks having little impact on people's day to day lives in terms of inconvenience and health consequences, they are concerned by the belief, arising from media coverage, that network leaks are happening on a grand scale. Many felt uneasy about this being wasteful and a

30 Water Source Change research for the SROs

31 Understanding customers' preferences for Performance Commitments at PR24, CCW and Ofwat

poor use of environmental resources, and it makes no sense for water providers to lose large amounts of water on a daily basis.

In assessing DWRMP24 options[32] customers are positive about reducing leakage, seeing this as a necessary step from Severn Trent to demonstrate their role in managing water consumption, whilst offering clear customer and societal benefits. The following Table summarises the pros and cons identified in the study.

Table H1.8 – Customer identified pros and cons of reducing leakage

Pros	Cons
- Seen as an effective way to reduce wastage - Recognised as a way to prevent further issues, such as flooding from leaks - Seen as sustainable and environmentally friendly - Shows that Severn Trent is proactively investing in their infrastructure - Has the potential to save customers money on their bills	- Implementing could create roadworks in local areas - Some concerns about whether the targets are high enough and how much water is currently lost to leakage

"I liked the future target goal to reduce leaks as I feel this would benefit everyone involved – communities who would benefit from lower bills if there was less wastage in the long term and the water company, who could use its resources to create a greater supply capacity" HH customer, 60+, metered

Supply options

When we talk to customers about how to meet the supply demand deficit they recognise that supply solutions will be required alongside the preferred demand side options. Supply options are less well understood (compared to demand side options) and customers can be initially cautious when given information about them[33].

"Of course finding new sources of water supplies would be the ideal however I don't think this is going to be an easy task and therefore I think Severn Trent need to focus their efforts on communicating and persuading customers to use less water" Bill payer customer, Environmental destination deliberative research

Our deliberative research[34] identified the following pros and cons of supply options

32 WRMP options deliberative research

33 Water Source Change research for the SROs

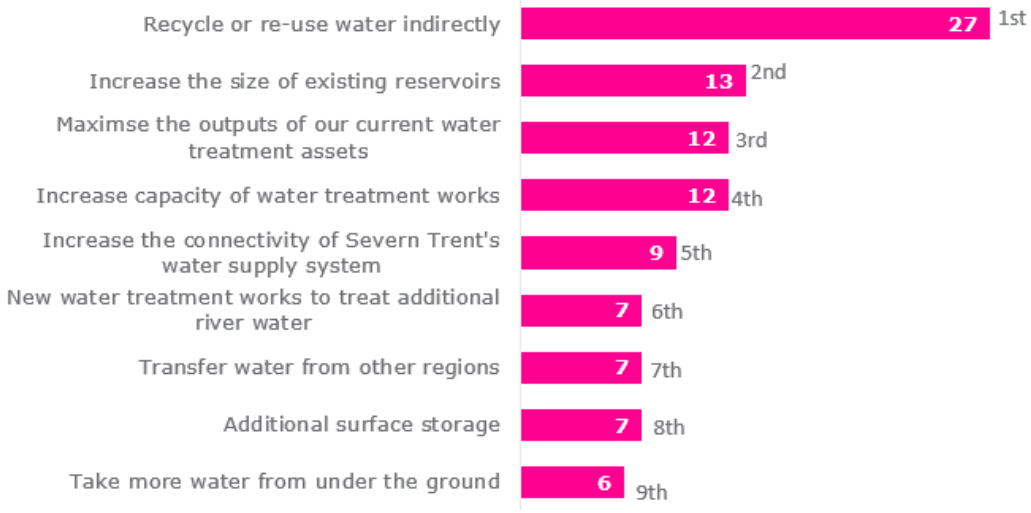
34 WRMP deep dive

Table H1.9 – Customer identified pros and cons of supply options

Pros	Cons
- Shows Severn Trent is proactively looking at other solutions beyond customer behaviour change, particularly in the context of climate change - The emphasis on protecting the environment is appreciated	- Customers are concerned with their water supply, but have less interest in where water is sourced from - Options can be seen as overly technical - Customers assumed that environmental factors would be prioritised over final cost to customers during planning - Concern over how construction of new sources would impact local homes and businesses

In our quantitative research[35] we found that recycle or re-use water indirectly was the highest ranked supply option for HH customers, followed by increasing the size of existing reservoirs, maximising the output of existing water treatment assets and increasing the capacity of water treatment works.

Figure H1.22: Preference scores and rank of water supply options for HH customers (base 301)



The top ranked finding felt surprising, and the reasons given for why this option was selected imply that participants did not necessarily understand the option (or that they had not read the information provided), even though it was described as "treated wastewater from sewage treatment works could be recycled into a river or reservoir before it is treated to tap water standard and used for drinking water supply.

For example, there were 16 mentions of rainwater and comments such as "I think it is very important to recycle as many things as we can", 14 mentioned of the environmental benefits and 11 mentions of sustainability even though the option scored as having a negative impact on carbon, habitats and human and social wellbeing.

This also contradicts the finding in the research on Changes of Source carried out for a number of water companies as part of the Strategic Resource Options work. In this research water recycling/reuse raised the highest concern of the supply options presented and the strongest negative research. Concerns were centred on safety, quality and the environment, with many customers being particularly focused on the "yuck" factor

35 WRMP decision making metrics survey

of the source and finding that difficult to overcome. When given more information on the process, customers expressed concerns about the carbon emissions and energy intensity of the processes involved.

We will explore customer views on effluent reuse further as we consult on our dWRMP24 with customers.

Increasing the size of existing reservoirs was the option that scored second highest. This echoes wider research including that undertaken as part of the SROs where they find reservoirs are the most appealing of the source options, with the perceived benefits outweighing the relatively few concerns.

The following Table summarises customer comments from our research on potential supply options:

Table H1.10 – summary of customer comments from our research on potential supply options

Supply option	Customer comments
Increase the size of existing reservoirs	The ability to store more water has got to be top priority. Making reservoirs bigger has got to help with that. Though the initial cost maybe higher, the increase in storage capacity would reduce costs in the longer term, income generation may also be possible by opening up facilities for recreational use.
Maximise the outputs of our current water treatment works	This feels the best environmental outcome and represents reasonable value for money It seems more cost effective to maximise the resources that are already in place
Increase capacity of water treatment works	Utilise existing infrastructure to its maximum ability is a sensible use of resources
Increase the connectivity of Severn Trent's water supply system	It makes sense to have the capacity to move water around the system so areas with excess water can supply areas with insufficient water
Additional surface storage	If sites for additional surface storage are picked carefully this has the dual advantage of being able to be engineered to maximise collection of water run off minimising/preventing local flooding in areas and providing water stocks to meet increased demand in drier hotter months. In addition, depending on size, these areas may have the potential for use for recreational use e.g. for water sports as has been the case elsewhere in the country