

Portsmouth Water Customer Advisory Panel – Part 5 Customer Support for Small Company Premium

Introduction

10 mins

- Reminder of self and Blue Marble – independent market research company who run research on behalf of organisations.
- Reminder of data protection – this session is being audio/video recorded but everything you say will remain confidential and we only use these for internal research purposes.
- Session duration: 90 minutes in total, finishing promptly by [INSERT TIME].
- Session rules: Cameras on, please go on mute when you are not speaking to avoid background noise, speak one at a time, I want to hear from everyone this evening, we have a lot to cover so I might move you on at times, use the chat function to share your thoughts on any questions you don't get to answer verbally.
- Introductions: Let's start with a quick round of intros to make sure we remember each other, and introduce any new participants.
- *As we have already mentioned, you are part of Portsmouth Water's Customer Advisory Panel of customers and future customers, acting as representatives of Portsmouth Water's wider customer base. The aim of this important research programme is to get your feedback and thoughts on Portsmouth Water's strategy and plans as it works towards the future. Last time we talked about how PW should fund activities over and above the provision of water – referred to as its social value.*

Perceptions of Portsmouth Water

10 mins

- This is now the fifth session that we are running as part of this panel. Let's just spend a moment reflecting on your impressions of PW to date:
 - What words would you use to describe Portsmouth Water to someone who doesn't know them?
 - Probe: have your views changed over the course of this research project? How?
- Is there anything that might be special or different about PW compared with other water companies you may have experienced or heard about?
 - Service delivery? How they treat customers and deal with problems?
 - Company culture/values?
 - Value for money?
 - Other differences?
- What are the reasons for these differences? (NB listen out for mentions of size or 'localness') and probe on these.

Understanding views on small/local company status

25 mins

I'm now going to recap on some information about Portsmouth Water. Some of you may know this already but it's useful just so we can start the next part of the discussion from the same point.

SHOWCARD (1): PW facts

- Did you know any of this?
- Any comments or questions on this information?

Let's compare PW to some of the other water companies in England

SHOWCARD (2): build adding Southern Water, Thames Water and SEW

- Any observations about how PW compares to other water companies?
- What do you think are the advantages or disadvantages, if any, of being served by a small company?
 - Spontaneous
 - Then prompt - probing on why each might be an advantage or disadvantage (or both)

SHOW PROMPTS (3)

1. Customer service / responding to customers
 2. Response to service issues such as leaks, bursts
 3. Cost to customers (bill levels)
 4. Ability to respond quickly/innovate
 5. Purchasing power (bulk/volume buying, getting good terms)
 6. Local employer
 7. Reputation and profile
 8. Being resilient to crises (e.g. storms) or extreme conditions (e.g. drought)
 9. Having wider benefits e.g. social value activities
 10. Other advantages
- Overall, would you prefer to be served by a small or a large water company? Explain your reasons
 - Moderator to probe only if necessary: *Local knowledge; Community presence; Less bureaucracy; Greater pride; Caring/family feel; Local employer/supports local economy; Targeted communications; Concentrate on water related issues only*

Here is some information comparing some **key metrics**: this information is gathered and published by the regulators.

SHOWCARD (4): bill and CMEX industry comparisons.

It shows:

- a) the average water bills (NB this does not include the sewerage part of the bill which makes up a little over half of the water bill we all receive)
 - b) the customer satisfaction score (out of 100) that comes from customer research conducted by the regulator
- Any comments or questions on this information?
 - Any observations about how PW compares to other water companies?

SHOW PORTSMOUTH WATER VISUALS (5)

Portsmouth Water is based locally in Havant. What are the benefits and downsides of being served by **a local company** rather than a company that is located outside of this area?

- What does being a local water company mean to you? Does it matter to you?
- What do you think are the advantages or disadvantages, if any, of being served by a local company?
 - Spontaneous, then prompt - probing on why each might be an advantage or disadvantage (or both)

SHOW PROMPTS (6)

1. Customer service / responding to customers
2. Response to service issues such as leaks, bursts

3. Cost to customers (bill levels)
4. Ability to respond quickly/innovate
5. Know the area
6. Local presence (community schemes, schools programme)
7. Support local charities / debt agencies etc.
8. Accountable
9. Accessible
10. Local employer – providing local jobs
11. Uses local businesses/contractors
12. Levels of bureaucracy

- Overall, would you prefer to be served by a local or a national/international company?

Establishing levels of support for Company Specific Premium on Borrowing Cost 25 mins

We have discussed some of the pros and cons of Portsmouth Water being a smaller more local water company. We now want to discuss a key area of difference:

All water companies have to find ways to find the cash that allows them to continue to invest to maintain and improve their treatment plants and networks of pipes. This money is often borrowed and then paid back over time – just like a household mortgage.

Being a smaller company means that companies like Portsmouth Water do not have the same purchasing power as larger water companies and lenders can view smaller companies as more risky. So in the same way that you can often borrow larger sums of money (think of personal loans for example) at lower rates of interest, then larger water companies are able to borrow the larger amounts of money they require at lower rates of interest than say Portsmouth Water can.

Let me show you what this means for you as a Portsmouth Water customer. It means basically your current bills are a bit higher because of these higher borrowing costs.

SHOWCARD (7) - extra paid on borrowings

- What's your initial response to this element of your bill that is the borrowing cost premium?
 - Positive /negative - Spontaneous
 - Ignoring the amount – do you think it is fair that because your water company is a small company that you pay a bit extra than otherwise?
 - Do you think the service provided by Portsmouth Water justifies paying this extra amount?
 - Does it affect how you feel about the value for money provided by Portsmouth Water?
- If this extra cost was removed through say Portsmouth Water being merged or taken over by a larger company, do you think you would end up better off or worse off?
 - Probe reasons why better off
 - Worse off

As you know, Portsmouth Water is currently working on its business plan for the period 2025 to 2030. This plan will determine how your bills will change over that period and the plan will have to be agreed by the water regulator Ofwat during 2024.

There are a lot of things that will influence how bills are likely to change over this 2025-30 period. This table summarises how your bill is likely to change over this period:

SHOWCARD (8) (9) showing summary of BP investment areas.

- What are your views on the information given here?

- Which areas are most important to you?
- How important is it that PW makes these sorts of investments?

SHOW STATEMENT (10)

A bit like the mortgage on a home one of the things that Portsmouth Water can do is take out loans that are secured on the value of its assets. This gives it the money to do things like maintain and improve water networks and generally invest in services.

Included in this likely bill increase is the premium it will need from customers to borrow to achieve its plans. If we were doing this research for one of the larger water companies, we would not need to talk about this premium but because PW is a smaller company, it has to ask customers if they support paying the extra amount – which is effectively a premium for being served by a smaller water company.

- Spontaneous: What kind of premium (per year) on this bill level would you be prepared to pay to be served by a smaller water company?
- Probe around the room...

SHOWCARD (11-15) showing four levels of bill impacts

- How acceptable if this figure was... starting with £1.61 per annum
- For those who say not acceptable, what about £1.08 per annum
- For those who say not acceptable, what about £0.54 per annum
- For those that accept no increase – probe why not.
- Reveal all 4 levels and discuss reasons for acceptability

Long term delivery plan

15 mins

I'd now like to show you an overview of PW's long term planning. Before I do, I'll talk you through all the 'levers' they have to help them to achieve their long term strategy to provide a safe and reliable water service to 2050 and beyond. We talked about these last year but to recap, they can...

SHOWCARD 16

- Reduce the level of leakage
 - Announce hosepipe bans and other temporary use restrictions during drought periods
 - They can get special permission from the Environment Agency for a 'Drought Permit' which allows them to extract more water from the environment than they would usually be allowed to do (this is an emergency measure to meet human needs but is not good for the already stressed water environments). These permits will no longer be an option from 2040 owing to new environmental laws.
 - They can install smart meters to metered homes, and upgrade existing meters to smart meters
 - They can invest in the pipe network to make it work more efficiently and move water to where it is most needed
 - They can recycle used water from Southern Water's system. Once Portsmouth Water customers have used their water, it is cleaned and put back into reservoirs where it is then put through the treatment process and added to the clean supply network. The recycled water will meet stringent drinking water standards.
 - It can buy water in bulk from neighbouring regions to replenish low stocks of its own water
- Which of these options do you most support PW using to manage demand? Why?

- Which are your least preferred options? Why?

SHOWCARD 17

Let me talk you through this diagram...

This shows us what their current plans are in terms of deploying these options – we need to work through each 5 year period to see how the investments progress. As anticipated changes in climate and population play out, more of the options are brought into play. So starting with the next 5 year period... (moderator to run through the visual)

Allow a few minutes to absorb the information

- What are your first impressions of this long term plan?
- What aspects if any do you support?
- What aspects if any are you concerned about?

SHOWCARD 18

I can show you how the different mix of investments are interrelated. On this next slide, we can show you how Portsmouth Water would adapt their plan if they don't implement smart meters.

We've highlighted in red where other options would be deployed sooner or more extensively to offset the benefits that would be gained via smart meter data to bring domestic water use and leakage levels down. In brief,

- *they anticipate needing to apply for drought permits by the 2030-35 period*
- *they would need to increase their use of recycled water from 2035*
- *they would need to source higher volumes of water from Southern Water from 2035*
- What are your impressions of this alternative plan?
- Are you more or less likely to support the use of smart meters in the long term plan?
- Most of the impact of not investing in smart meters would be felt in 10 years plus. As customers paying bills today, how do you feel about investing to prepare for long term scenarios?

General feedback and close

5 mins

- Is there anything that we have missed from the discussion that we need to consider?
- Are there any other thoughts or improvements you would like to suggest to PW?
- Thank and close.