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ACCEPTABILITY & AFFORDABILITY DELIBERATIVE EVENTS
MODERATOR GUIDE
ONLINE 09 JUNE 2023

Welcome & Introductions (10 mins/18.30-18.40)

- **Slide 2:** Welcome everyone to the event & Introduce Blue Marble and explain that we are an independent research agency. Objective for the session: to help Portsmouth Water & Southern Water make important investment decisions. Everything you say during the interview will be treated anonymously. Blue Marble will not reveal to anyone what individual participants have said. In reports we will only summarise what we hear through the whole session (and also other sessions), drawing out general differences between groups of customers. We will voice record the session – we will not be sharing the recordings with anyone outside of our project team and we will delete the recording once we have taken notes.
- **There are no right or wrong answers we just want to hear people's open and honest views;**
- **ADD:** Water companies provide a service for everybody, as we all consume water. We need to consider the merits of the plans we'll be reviewing tonight/today through different lenses:
- **As a customer** – think about the plans as someone who is a bill-payer
- **As a consumer** – think about the plans as someone who is using these services (e.g. children and young people, some tenants)
- **As a citizen** – think about the plans bearing in mind the wider need of society and the environment over the longer term.

SLIDE 3: Now I would like to ask you to quickly introduce yourselves to the other people in the group.

Discussion – 5 minutes

Each respondent to introduce self:

- Name, who lives in household, and what you do.

To finish by 18.40

Introduction to the water company (10 mins/18.40-18.50)

SLIDE 5: This first slide shows us all the water companies that operate across England and Wales. It is important to note that water companies operate regionally. We don't choose our water provider – we have to use the company that covers the area we live in (except for business customers). This is in part why this research is important – it is a chance for customers to have their say. Some companies provide just water supplies, others provide both water and sewerage services.

SLIDE 6: This slide explains why the research is happening. It is all to do with the way water companies plan ahead in a process called the Price Review.

Every five years, water companies develop a 'business plan' that sets out how they want to develop their services, and the proposed cost to customers. As we've seen, customers are



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not able to choose their water provider, so water companies must give them a say about what they want from their services and the price they pay. Talking to customers through research also helps water companies prioritise what to do first or what to do most of. In this session we'll be looking at some of the choices they face – and where they want your input. One of the ways that people have their say is through research like this. We'll be asking what you think about the plans: are they '**acceptable**' to you and are they **affordable**. The plans we show you will be refined following this research based on what customers have to say.

SLIDE 7: Here we see all the things a water company like Portsmouth Water does in terms of water supply – and also what Southern Water does on the waste side. We are showing you this because the plans relate to all of the aspects of their work.

SLIDE 8: All of these aspects are overseen by regulators. Defra is the government department setting the overall policy for water companies. We have mentioned Ofwat + already who oversee the financial operation of water companies and measure customer satisfaction. The Environment Agency monitors all the areas that could have a detrimental impact on the environment if not conducted properly. The Drinking Water Inspectorate monitors water quality. And the Consumer Council for Water represent the rights and interests of consumers – like a watchdog.

Discussion – 5 minutes

- Awareness and experience of the water company
 - How much of this was new information for you?
 - What associations do you have with your water company?
 - Do you have any particular perceptions of them?
- Understanding the role of water companies
 - Were you aware that Portsmouth Water provides your water services and Southern Water your sewerage services?

To finish by 18.50

Recap on the pre-task information (10 mins/18.50-19.00)

SLIDE 10: The next slide shows how water companies are monitored, specifically by Ofwat. Water companies have service level targets, called 'performance commitments', which are set for every five-year business plan. Ofwat monitors their performance against each commitment every year to see if they have met the service level in their business plan. Companies can miss or exceed performance commitment targets and this has a direct impact on customer bills because of the way Ofwat rewards or penalises companies

Next, we will look at the performance of Southern Water and Portsmouth Water against all the other water companies. Because the two companies provide a different service, we will focus on one or the other as appropriate.

- **SLIDE 11:** In terms of supply interruptions, **Portsmouth Water** performed better than the target set by 62%.
- **SLIDE 12:** In terms of water quality, its appearance, taste and smell, **Portsmouth Water** also exceeded the target (by 68%)
- **SLIDE 13:** For the target about sewage flooding in properties, **Southern Water** did not hit its target, missing it by 86%



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- **SLIDE 14:** For sewage flooding outside the home in gardens or outbuildings, **Southern Water** did not meeting its target – it missed the target by 25%
- **SLIDE 15:** For reducing leaks, **Portsmouth Water** exceeded its target
- **SLIDE 16:** And in terms of pollution of rivers and bathing areas, **Southern Water** missed its target

SLIDE 17: This slide shows us what your bill pays for, for each £ that you pay. This slide shows what each £ in your Southern Water bill pays for, while the next slide shows what each £ in your Portsmouth Water bill pays for.

Discussion: (5 mins)

- Thinking about what was just presented, which areas matter most to you? Why?
- Are there any areas that don't really matter to you at all?
- Where do you think investment and improvement is most needed?
- Thinking about the services that Southern Water provide for you and thinking about your bills – what are your first impressions around value for money?
- Thinking about the services that Portsmouth Water provide for you and thinking about your bills – what are your first impressions around value for money?

To finish by 19.00

Long term (10 mins/19.00-19.10)

Before we get into the detail of the investment plans for the next 5 years, we need to understand what Southern Water & Portsmouth Water are trying to achieve in the long term. The next slides are to give you a bit more context for this research.

SLIDE 19: Here is a dateline showing the way that water companies plan out as far as 2050 as well as a shorter term 5 year plan as the first stepping stone. We will be discussing both the shorter 5 year plans and the long term goals.

SLIDE 20: There are some challenges that all water companies have to factor in to their longer term plan:

- The impact of a **changing climate**: more extreme weather predictions mean that water companies will need to manage more frequent drought periods and the risk of more intense rain and flooding. Their plans include ways to adapt to climate change and become a net zero business.
- The pressures that come with a **growing population**: this means increasing the water and wastewater networks to accommodate new housing developments and building new sustainable ways to capture storm water to prevent it overwhelming the drains and sewers – especially necessary in built up areas.
- Some **new laws and regulations**: all water companies have to comply with environmental laws in England. They also have to consider how climate change and population growth affect current and future capacity of sewage and rainwater drainage networks. These cover a range of areas including:
 - Reducing pollution of seas and rivers from sewage overflows.



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- Not taking too much water from rivers and from underground to protect the ecology.
- Making sure there is enough water available to protect the natural environment as well as providing a public water supply.
- Treating water and wastewater to a standard that does not harm the natural environment.
- Water companies must also meet legal requirements for the quality and safety of drinking water and protect reservoirs, treatment works and other sites to ensure they are safe and secure.
- And then there's the **economic situation** – the cost of living crisis and high inflation.

It is against this backdrop that both Portsmouth Water and Southern Water's have developed their long term ambitions.

SLIDE 21: Portsmouth Water has 4 outcomes which are its ambitions or goals for 2050

SLIDE 22: Southern Water has 4 outcomes which are its ambitions or goals for 2050.

We'd like you to discuss these on your tables now:

Discussion: (5 mins)

- What do you think about the long-term plans Southern Water and Portsmouth Water have set out?
- Which one or two outcomes matter most to you – probe why
- Which matter least? Why?
- These ambitions mostly sit in the 2050 timeframe but which would you like to see achieved sooner than 2050? Probe why.
- Which do you think are most urgent to achieve?

To finish by 19.10

Introduce shorter-term (proposed business plan) (20 mins/19.10-19.30)

SLIDE 24 There are 2 plans that we will be showing you. The 'Proposed' plan was in the pre-read document. This includes extra work over and above what your water companies are required to do by law to provide extra benefits to customers, the environment and local communities. We will also be showing you a second plan which we are calling the 'must do' plan. It allows Portsmouth Water and Southern Water to just carry out the work that they are required to do by law – and would have the lowest impact on customer bills.

SLIDE 25 Next we see the one-page plan, focussed on water supply services, from Portsmouth Water that you saw in the pre-read. Along the top, again, we can see their plans around key performance commitments, namely water supply interruptions, water quality and leakage. Along the bottom we see the plans around some other key priorities for customers where Portsmouth Water want to do more than legally required.

SLIDE 26 This is the one-page plan, focussed on waste-water services, from Southern Water you saw in the pre-read. Along the top we can see their plans around two key performance commitments, internal & external flooding and pollution incidents. Along the bottom we see the plans around some other key priorities for customers.



SLIDE 27 Water company business plans have 3 types of investment, and we will see a mix of these tonight.

- There are elements that are **legally required of all water companies**. As customers you do not have a say in whether these investments go ahead. But your views may help water companies argue their case.
- We will also consider the **performance commitments** that we've been looking at already. We'll be asking you if you are happy with the targets that they are proposing for the next 5 years
- And finally there are some areas where **Southern Water & Portsmouth Water want to make additional investments** that will help them meet their long term goals for 2050.

I'll start by showing you the legally required investments:

SLIDE 28: this first investment relates to **the legal requirement for Portsmouth Water to install smart water meters for all households by 2035**. The Portsmouth Water area has recently been designated as an area of 'water stress' – meaning it can insist on installing water meters in all properties. Like leakage, reducing the amount of water customers use in their home (or business) will reduce the amount of water taken from the environment. Around 1/3 of households in the area have a basic water meter used to generate the water bill every 6 months – by very few have smart meters. Smart meters read usage several times a day and can be used to spot leaks around or within the home (e.g. leaking toilets and taps) more quickly than a basic meter could which means they can be fixed quicker too and reduce water wastage. Through more regular billing and/or via an app, customers can have more control over their bill by finding ways to change their water using habits. Installing smart meters for 50% of the customer base by 2030 will add £2.65 per year to bills for the 5 years from 2025 to 2030.

SLIDE 29: this second investment relates to water quality and Portsmouth Water's long-term target to keep **its water quality contacts** (ie the number of people contacting the company about the taste, smell and colour of the water) among the lowest in the country. This programme is agreed with the Drinking Water Inspectorate, which regulates water quality on behalf of the water industry.

SLIDE 30: this investment relates to Southern Water making the sewer system more effective and supports the long-term target to reduce the number of sewer flooding incidents by 75% and improving all bathing water areas to excellent standard. We are given some background information about why the investment is needed – and that it will increase bills by £30 per year between 2025-30. **SLIDE 31:** ASKS THE QUESTION

SLIDE 32: BRING SUMMARY ON THE SCREEN

Discussion – 10 minutes

- How do you feel about these proposed investments
 - Do they feel too ambitious/not ambitious enough/about right?
- What are your initial thoughts on the bill changes?
 - Does this seem reasonable?
 - Is it affordable?
- Do you feel these required investments will support the longer term ambitions?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?

To finish by 19.30

Performance commitments (5 mins/ 19.30-19.35)

Now we are moving on to briefly look at the 6 key performance targets and the investments proposed.

SLIDE 33 Talk through the six PCs

Discussion – 5 minutes

- How do you feel about the targets set? Bear in mind the current performance level (refer to pre-read graphs as necessary)
- Have you got any questions or comments on any of the targets?
- Do any seem too ambitious?
- Do any seem not ambitious enough?
- What are your initial thoughts on the proposed bill changes?
- Do you feel this will support the longer term ambition /2050 target?
 - Generally, do you want to challenge any of these targets?
 - If challenge: what would you like to see changed?

BREAK (5 minutes) / Until 19.40

Discretionary elements (with phasing) (60 mins/19.45-20.45)

PART 1 = INTRO 5 minutes (until 19.50)

SLIDE 34 now we are moving onto look some longer term investments where customers have more of a say in how and when these investments are planned between now and 2050.

SLIDE 35 One aspect we will be discussing when looking at the long term investments is how each company could **phase spending** – we particularly want your input here because this will have direct consequences for customer bills. For some of the investments we will show specifically different scenarios, for others we will discuss the phasing of investments at a higher level in order for us to understand how much of a priority they are for you.

MODERATOR to talk over the 3 examples: The way companies implement their long term investments will have an impact on who pays. Each scenario equates to the same overall bill amount – the difference is when the investment happens – and who ultimately pays.

- The first scenario is for steady rises which will affect current and future customers similarly.
- In the second scenario, bills would rise more sharply now so that everyone benefits as soon as possible from the improvements. This will mean increasing bills for today's customers (even though they may not benefit from the investments).
- In the third scenario, bills would be kept down as the company would delay investing. They will still meet the long term goals but it means the benefit of the investments come later - and future customers will make the biggest contribution through bills.



Water Supply Interruptions = 5 minutes (until 19.55)

SLIDE 36: This first investment from Portsmouth Water focusses on **water supply interruptions**. Its services are the most reliable in the country and the number of households likely to be without water for more than three hours in any year is 1 in 100, compared to an industry average of 1 in 20. Portsmouth Water proposes to maintain this position and remain at least as reliable as they are today.

SLIDE 37 There are also some scenarios for the phasing of the investment. The option we have spoken about so far is Option B.

Discussion:

- How do you feel about the proposed target set for **water supply interruptions**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Reducing Leakage - 5 minutes (until 20.00)

SLIDE 38: **Reducing leakage** means there is more clean water available to meet demand, lower environmental impact on rivers as less water abstracted and a smaller carbon footprint as less water abstracted, treated and pumped. Portsmouth Water wants to maintain its position among the best performing companies as one of the best performing companies, reducing leakage from 77 litres per property per day to 56 litres per property per day. **SLIDE 39** Again, we will show you some scenarios for the phasing of the investment. The option we have spoken about so far is Option B.

Discussion:

- How do you feel about the proposed target set for **reducing leakage**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Removing lead pipes = 5 minutes (until 20.05)

SLIDE 40 The next area of investment focusses on **lead pipes**. Lead used to be a common material used for water pipes, both in water companies' networks and in people's homes. However, it was banned for new pipes because it can impact the health and development of very young children. In areas where there are lots of properties with lead service pipes, water companies dose the water with phosphate (a harmless chemical) to reduce lead being picked up in the drinking water. Portsmouth Water replace lead pipes that belong to them when they find them, and let our customers know how to replace theirs when they find them too. Portsmouth Water wants to remove lead pipes completely *SLIDE 41* Again, we will show you some scenarios for the phasing of the investment. The option we have spoken about so far is Option B.

Discussion

- How do you feel about the proposed target set for **lead pipe replacement**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Environment = 5 minutes (until 20.10)

SLIDE 42 The final area of investment from Portsmouth Water focusses on **improving the environment**. In addition to work at its own sites to improve the environment Portsmouth Water makes £50,000 available in grants every year to help partners improve our environment. It wishes to continue the work it does and double the grants. *SLIDE 43* Again, we will show you some scenarios for the phasing of the investment. The option we have spoken about so far is Option B.

Discussion

- How do you feel about the proposed target set for **improving the environment**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Repeat flooding = 5 minutes (until 20.15)

SLIDE 44 Now I'll read out some background about an additional investment around **repeat flooding**. Southern Water want to address a specific issue in a relatively small number of



properties that suffer repeated sewage flooding incidents every few years. Through a small programme of investment, they want to slowly reduce the number of properties affected by this and, by 2050, have all properties addressed. **SLIDE 45** We don't have a specific phasing model for this investment, but when discussing this investment please bear in mind the three options I am showing you here.

Discussion

- How do you feel about the proposed target set for **addressing repeat sewer flooding**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Sewer infiltration = 5 minutes (until 20.20)

SLIDE 46 The next investment we want to talk about is focussing on another sewerage problem, namely **sewer infiltration of rainwater**. Due to the Southern Water area geology and history, our region is more likely to see water get into its sewer network due to high groundwater levels. Very wet winters with a lot of rainfall means the ground becomes saturated. The groundwater enters sewers through joints and connections (including privately owned sewers). High levels of groundwater are becoming more frequent and this is likely to get worse due to climate change. Southern Water has 17 locations across the Portsmouth Water where it has to use sewage tanker lorries and partial treatment of excess wastewater flows before returning it back into the environment in nearby rivers. This has a pollution impact. Although the pollution impact is low it can carry on for long periods over the winter months. Due to the impact of sewer infiltration, these areas can also be prone to restricted toilet use. Again, we don't have a specific phasing model for this investment, but when discussing this investment please bear in mind the three options we showed you just now.

Discussion

- How do you feel about the proposed target set for **reducing sewer infiltration incidents**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Resilience - 5 minutes (until 20.25)

SLIDE 47 The next investment we want to talk about is about **resilience**. We showed you earlier the challenges that water companies face, and one of them was climate change. Southern Water's wastewater treatment processes are increasingly being impacted by more extreme weather. It is believed this will only get worse in the coming years. Having a long coastline means some of Southern Water's pumping stations and sewers are impacted by subsidence and coastal erosion. This is made worse by more severe storms and rising sea levels. There is a growing risk of sudden loss of service, both water supply and / or pollution. We don't have a specific phasing model for this investment, but when discussing this investment please bear in mind the three options we showed you just now.

Discussion

- How do you feel about the proposed target set for **resilience**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Storm overflows = 5 minutes (until 20.30)

SLIDE 48 This next, and final, investment goes back to one we showed you earlier, around reducing the use of **storm overflows**. We saw earlier that Southern Water want to reduce storm overflow spills by 25%, prioritising environmentally sensitive areas like shellfish waters, and focus on nature-based solutions and separating storm water out of the sewers and including the constructions of additional tank storage. This would make up £30 per year of the bill between 2025 and 2030. In addition, they would like to accelerate reductions of storm overflow spills at the top 30 spilling overflows in their area. This would add an additional £3 per year to customer bills. We don't have a specific phasing model for this investment, but when discussing this investment please bear in mind the three options we showed you just now.

Discussions

- How do you feel about the proposed target set for **storm overflows**?
 - Does it feel too ambitious/not ambitious enough/about right?
- Generally, do you challenge this part of the plan, or do you accept it?
 - If challenge: what would you like to see changed?
- In terms of phasing, which option do you think is best and why?
 - Which do you think is the fairest for
 - Customers – bill payers
 - Future customers
 - Society and the environment?

Plan & inflation = 5 minutes (until 20.35)

We're now going to look at the overall impact of the plan we have discussed on customer bills.

SLIDE 49 – before we show the plan, a word on inflation

SLIDE 50/51 (STIMULUS Proposed plan cost) explain the slide – that this is for both water and waste water services (1 mins)

Discussion

- Response to the summary of bill impacts over the 2025-30 period
- How affordable is it?
- How are you feeling about the plan?
- How are you feeling about Portsmouth Water?
- How are you feeling about Southern Water

Focus on the shorter-term (MUST-DO business plan) – 10 minutes/(until 20.45)

SLIDE 53 & 54 Introduce overview and summary of the 'must-do' business plan

- Talk through the areas that will revise the bill changes down (*STIMULUS least cost alternative*)
- *SLIDE 55/56 proposed bill changes* based on the average household bill (explaining that they will see a personal bill prediction later on for them to respond to)

Discussion

- How do you feel about the 'least cost/must do' plan
- Which of the areas are you least willing to compromise
- Which are you most willing to forego?
- How does this plan implicate the following groups (i.e. what might be the disadvantages or advantages of the least cost from the different perspectives)?
 - Customers – bill payers
 - Future customers
 - Consumers – who are affected but don't pay directly.
 - Society and the environment?
- **Which plan do you prefer?**

Wrap up and post-task – 2 minutes/until close

Thank you very much for all of your input so far. We really appreciate your time and engagement. To round things up, we'd like you to complete a short questionnaire about some of the things we have discussed today. We will send you an email with a link tomorrow morning. This will show you a personalised bill prediction for the timeframe 2025 – 2030 and will ask you some questions. Please note that it is part of the exercise and incentives will not be paid out until we have received your completed questionnaire.