Chapter SRN03

Customer Acceptability

3. Customer Acceptability

3.1. Executive summary

Our plan is customer-led. It is informed by our most thorough engagement programme to date and reflects the priorities of our customers, communities and stakeholders.

More than 25,000 customers spent over 8,000 hours from over 190 different reports telling us what they think to develop our plan. We profiled and engaged our region to speak with representative audiences from our communities.

Our panels of current and future customers, businesses and vulnerable communities gave us informed views at every stage of plan development.

Bespoke research engaged on the range of issues in developing our plan, we partnered and shared with other water companies, and followed regulatory guidance on testing our plan.

Wider sources of insight gathered through analytics of customer data, community events and stakeholder groups brought together a more holistic understanding.

Our customers are clear on their biggest priorities. Their top priority is a continuous supply of clean, safe and wholesome water. Customers expect us to provide reliable services now and for future generations – while protecting and improving our environment. We need to reduce leakage and our use of storm overflows – but make sure bills remain affordable.

By continuously listening to our customers, we have seen how this has changed. Improving and restoring the environment is more important to them than ever before.

They expect us to collaborate, show leadership and embrace innovation and new technology. They want us to use nature-based solutions wherever we can but understand this is not always possible.

Changes to how we live and work because of the pandemic mean customers are more connected to their environment and can adapt to new technology and ways of working quicker than before. They also appreciate the need for proactive long-term planning to prepare for what the future might hold.

We are experiencing more scrutiny from customers than before – particularly on our performance, linked to significant fines from our regulators and our use of storm overflows. This has damaged the trust our customers have in us. They want to trust us again but demand rapid improvements. The cost-of-living crisis has heighted the need to keep bills affordable and protect those that need it most.

We used in-depth ethnographic research and data to understand the uniqueness of our communities and develop regional profiles.

We know our customers feel more connected to our coastline than in other regions and this is crucial for their wellbeing and the pride they have in their communities. Our environmental performance and the perception they have of our services is damaging their ability to enjoy our coastline and bathing waters.

Many of our communities feel their way of life is threatened by the impact of housing growth and that infrastructure, including water and wastewater services, has not kept up. We need to make sure we meet the needs of new housing and protect our environment

We have tracked these trends, and by combining research, data, external feedback and expertise we better understand our customers and can act on what matters to them.

What our customers want is clear. They expect us to:

- Get the basics right and focus on credible and deliverable improvements where it matters
- Maintain our core services – especially a reliable supply of high-quality water
- Significantly improve how we care for the environment – reducing pollutions and storm overflow use and reducing leakage are their highest areas for improvement
- Be more ambitious in some areas – such as storm overflows and leakage – but that we should be less so in other areas to focus on delivering their priorities
- Use nature-based solutions first, wherever we can, before relying on traditional infrastructure

They are willing to pay more for the right investments and do not want us to pass the problem to future generations – but we need to make sure we protect the most vulnerable from increases.

Our customers have leant us support for our proposed plan. They feel it puts the environment at the centre and prioritises the areas that matter to them. Most are concerned with previous performance and credibility, and for some this means they do not currently support the plan. We need to demonstrate tangible improvements and deliver on what we say to help rebuild the relationship.

We have responded to what our customers have told us. We are:

- Focusing on the core areas of service to our customers – future water resilience and the environment
- Prioritising the reduction in storm overflows in high spilling areas and going further in key bathing water areas
- Using natural solutions to target the root causes of overflows. We are expanding financial support to more customers
- Digitising our network to proactively identify issues
- Targeting mains renewals and smart meters to reduce leakage

Our insight was rated as high quality from independent external assurers[1] who, alongside our challenge groups and customers, help us continually improve how we engage. We used assured, robust triangulation methodologies, following best practice, to reflect our customers' priorities in our investment programme.

3.2. Customer Engagement

3.2.1. Lessons learnt from PR19

Following PR19 we ran a session with our Customer Challenge Group (CCG) for lessons learnt. They had 3 main recommendations about how to improve the way we run insight[2], shown in the table below.

Table 1 - Feedback from our CCG

CCG feedback:	So we:
Greater segmentation – understanding of all relevant customer groups, especially in hearing from younger audiences	• In 2020 we created a data led household customer segmentation • We launched our young person's group in 2020 • Deep dive research project into customers with affordability concerns in 2021 • In 2021 we engaged with diverse cultures where English wasn't their first language • In 2021 we launched our household customer panel (Water Futures 2030) using our segmentation, demographics and regional differences to ensure a representative sample • In 2022 we launched the business, vulnerability and diverse culture community representative panels
Informed vs uninformed biases – play stronger attention to the biases and differences	For all main projects or steps in the PR24 process (e.g. identifying priorities, testing long term strategies, testing plans etc) we engaged with: • Large waves of quantitative research (1,000 customers representative of our region) – to bring in a less informed view • Additional robust qualitative research with fresh customers to bring together less informed views • Presented findings from the research to a smaller 'committee' of our household panel to help assure and triangulate the results • Brought together households and future customers in a live session with Southern Water teams on long term strategy and priorities
Insight approach – ensuring that a consistent level – across all areas	• Ran early assurance from 2021 to provide expertise on our insight approach and recommendations. This enabled us enough time to identify gaps and act on them. • Used our panels to identify areas of interest from open discussion – so we could then follow up and dive into areas that mattered most • Integrated the use of data – from social media, contact, complaints, other water companies and industry and many other sources

1 See section 3.6 of this chapter or section 5 of SRN14: Customer Insight technical annex for more detail
2 SRN14: Customer Insight technical annex, Section 1: Index, 133 – Lessons Learned at PR19 – Sep '18

3.2.2. Our always-on insight

We are better at listening and acting on what our customers tell us than ever before. In October 2018, we launched our Customer Participation Strategy. The strategy was developed with our Customer Challenge Group from PR19 and endorsed by our board and executive team. The strategy focuses on 12 key principles[3] which are applied in our approach to insight.

Since 2018 we have been working every day to deliver that strategy.

Customer Participation Principles

Our brand values				
Succeeding together	**1 Shared planning** working together to ensure our engagement activities happen at the right time	**2 Collaboration** with our customers. stakeholders, employees. other water providers communities and relevant organisations	**3 Two way dialogue** ensuring we engage in a way to allow for open discussion	**4 Partnering** working much closer with our partners and stakeholders to bring in their expertise
Always improving	**5 Innovate our approaches** innovating and testing new ways to engage	**6 Iteration by design** ensuring we have steps within our engagement to learn as we go	**7 Open to challenge** actively seeking expertise and recommendations to help us improve	**8 Comparative learning** looking inside and outside the industry, adopting best practice
Doing the right thing	**9 Integration** using the different insight sources together from across our engagement	**10 One voice** triangulating the insight sources together to have a clear view of customer and stakeholder feedback	**11 Participation first** starting with the customers and stakeholders – to build participation around how they can play an active role	**12 Inclusion** ensuring we are inclusive to all audiences to we understand individual needs and tailor our engagement

Figure 1: Our 12 Customer Participation Principles

3 See section 2.1 of [SRN14: Customer Insight technical annex]

We started building from the foundational insight we gathered at PR19 to fill the gaps in our understanding. The water industry is complex, and many customers do not regularly engage with some of the industry challenges. We used industry best practice[4] to have informed customers at the centre of any major programme. Then we started to reach a more inclusive range of customers and covered greater breadth and depth of topics. This 'always-on' engagement has step-changed how the voice of the customer drives improvements. With this rich insight we can now have a much greater impact on the services our customers receive.

We define our customers[5] as anyone who benefits, or has a role to play within, the services we provide. This includes bill paying households and businesses, future customers, vulnerable audiences, those from more diverse cultures, stakeholders and our wider communities.

Year 1 Oct '18 to Sep '19

Focused on the basics of setting up a team and insight across core issues. This included incident management, operational complaints and our communications. We trialled a 'Customer Action Group' – which used a deliberative qualitative panel of customers over a number of weeks to help develop our new brand.

Impact includes: Refined the brand before launch. Improved our incident management response across multiple channels – keeping customers better informed. Brought to life with our operational leaders engaged directly with customers as part of the research.

Year 2 Oct '19 to Sep '20

Our first integrated strategic insight project. Launched a 'Customer Action Group' as the central point for insight on. On our Water for Life Hampshire (WFLH) programme. Research had dual purpose to support the programme and fill gaps - including work with businesses, future customers. We tracked across research and other sources the emerging impact of COVID.

Impact includes: Shifted WFLH to focus on customer preferred solutions and renamed water reuse to recycling. Help protect supplies by >45k customers encouraged to use less water in priority stressed areas with high demand during COVID.

Year 3 Oct '20 to Sep '21

Focused on partnership and new sources of insight. Partnered on new research with South East and other water companies on resources and behaviour change. Integrated the use of social listening tools and new research partners to share best practice. Launched our young persons and household panels. Piloted our first research with diverse cultures.

Impact includes: Shared leading insight on water recycling across other companies and industry. Challenges from young people delivered to 120 developers, providers and planning authorities. Diverse cultures pilot created a panel with community leaders.

Year 4 Oct '21 to Sep '22

Expanded **breadth** of insight sources and **inclusivity** of engagement. New data sources to insight (e.g. complaints, contact and campaign / media tracking) alongside our research. Launched vulnerability, business and diverse community leaders panels. Integrated with BaU research to engage across our distinct communities creating 14 in-depth summaries.

Impact includes: Optimised channel mix for water efficiency campaign to drive > 250k customer actions. Increased reach of drought communication. Regional insight to pilot targeted reputation rebuild approach. Strategy and priorities of PR24 started with insight.

Year 5 Oct '22 to Sep '23

Greater focus on driving action from insight and the voice of the customer. Senior management customer closeness sessions Major programme on environmental ambition and storm overflow reduction plans. Launched reputation tracking to understand C-MeX differences in detail across our communities. Increased intensity on incident management.

Impact includes: Insight driving regular newsletters through email campaign tool. Incident management recommendations into training materials and templates with improvements driving communication satisfaction from 5.1 to 6.7 (out of 10).

Continuous ...

Supporting the Turnaround Plan and culture change to make the voice of the customer even more accessible and further action driven from insight.

Lessons learnt from PR24 and further enhancements to collaboration and sharing of insight across the water sector.

Figure 2: Overview to Progress for Always On Insight

4 https://www.ccwater.org.uk/research/engaging-water-customers-for-better-consumer-and-business-outcomes/

5 For more information on the definition of our customers see section 2.2 of SRN14: Customer Insight technical annex

3.2.3. How we approached PR24 engagement

More than 25,000 customers spent over 8,000 hours across over 190 different reports telling us what they think to develop our plan. We combined this with over 10 million data points from sources such as contacts, complaints, social listening and other sources. We used a customer segmentation, demographic data for 4.5 million customers and in-depth ethnographic research into our communities to have both breadth and depth of insight.

Our engagement is high quality. External and independent assurance has rated it highly against Ofwat standards[6]. Our 12 Customer Participation Principles helped us ensure all our insight comes from high-quality engagement and follows recommendations from CCW[7] following PR19. Our principles provided the direction to improve our insight over the last 5 years and set foundations which we will continue from 2025–2030 onwards. They also align with position paper on customer engagement[8] published by Ofwat in February 2022. We used the insight from this engagement to develop our 2025-2030 business plan.

We designed our direct engagement for PR24 with 6 key phases[9]:

1. **Insight 365 –** our always-on use of insight, such as research, learning from PR19, social listening, customer contact and complaint data, and industry reports.
2. **Understanding what matters –** deep dives into existing insight and open, customer-led deliberative engagement about their priorities, how these were changing and how they differed in the region.
3. **Emerging priorities –** using customers' own language and definitions to robustly understand relative scoring across priorities and develop an assured triangulation model using over 30 different data sources from thousands of customers.
4. **Key drivers –** range of deliberative and robust research and data analysis to understand the rational drivers of differences by audiences and regions.
5. **Designing the plan –** range of deliberative research into bespoke elements of the plan and enhancements to shape the plan and provide the boundaries / parameters of options.
6. **Testing and refining the plan –** using Ofwat and CCW approaches to test our plan and going above the minimum standards to increase inclusivity and piloting early to allow for iterative improvement.

6 See section 5 of SRN14: Customer Insight technical annex for more information
7 Improving customer engagement for PR24 - CCW
8 PR24 and beyond: Customer engagement policy – a position paper – Ofwat
9 The engagement numbers included refer to Southern Water customers engaged. Insight was also gathered from regulator, national and other company research. For full details see Section 1 of the SRN14: Customer Insight technical annex

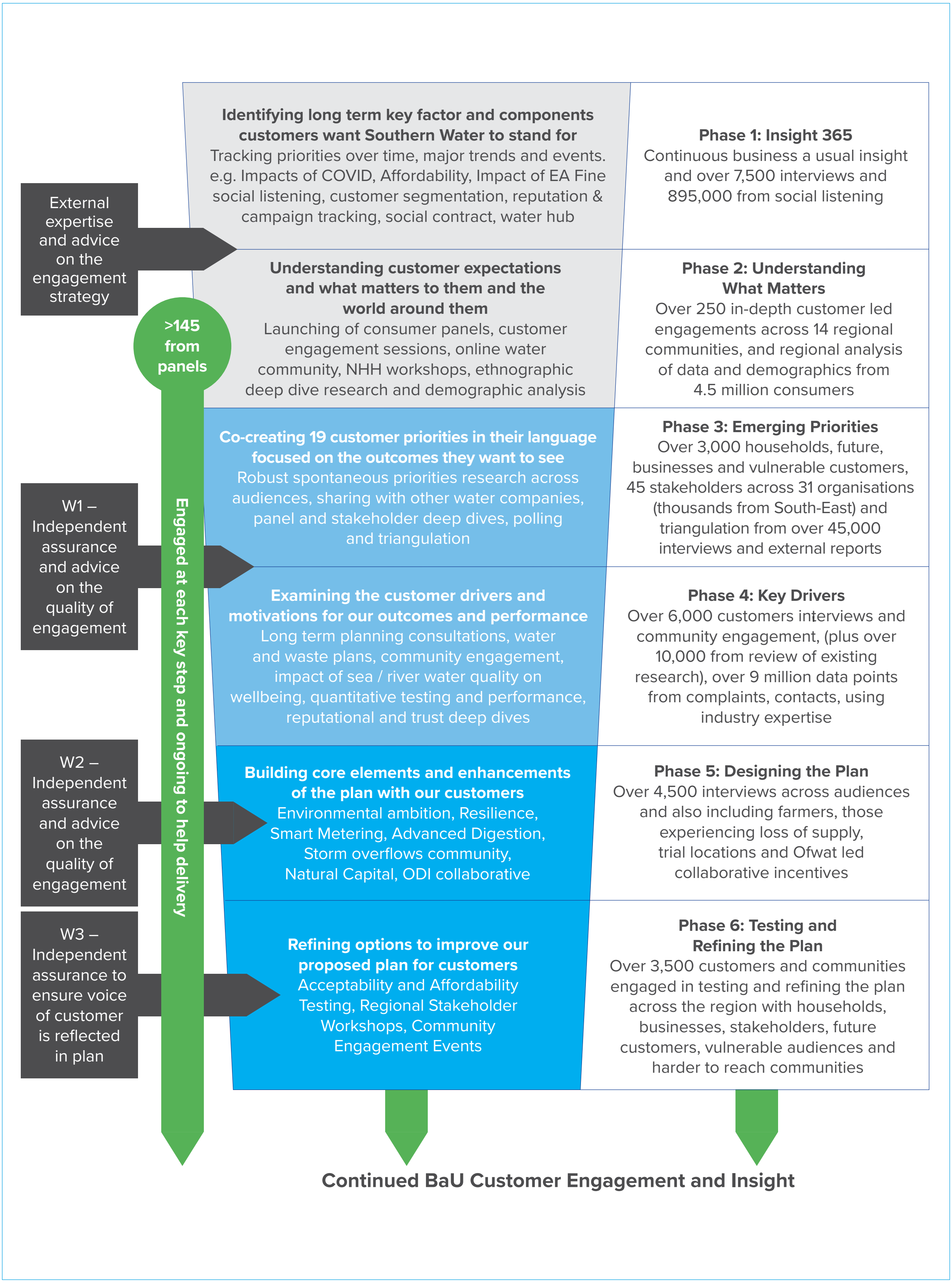


Figure 3: Overview to PR24 Engagement

3.2.4. Ensuring our engagement is high quality

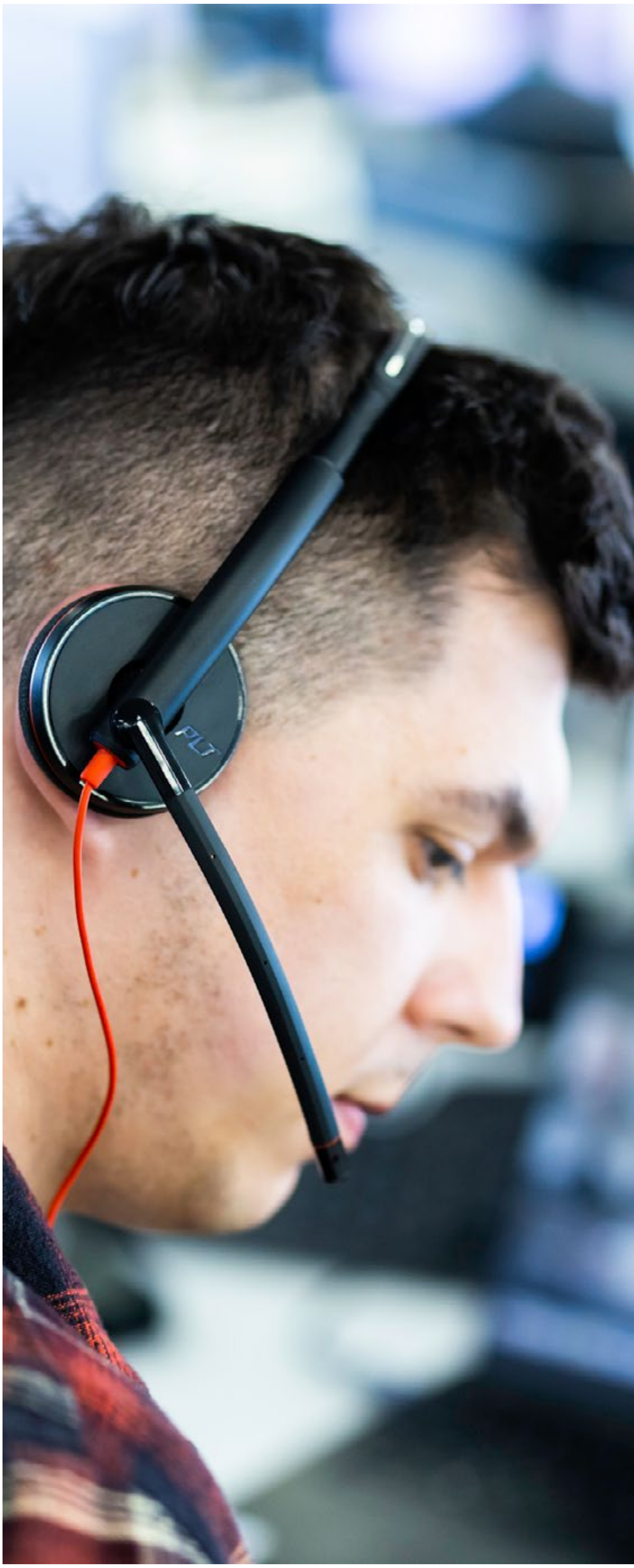
Our 12 Customer Participation Principles provided us with guidance to ensure insight comes from high quality engagement. The principles have provided the direction to improve our insight over the last 5 years and set foundations of which to continue from 2025–2030 onwards.

In February 2022 Ofwat published a position paper[10] on customer engagement, which set out core elements to ensure engagement was high quality. When the paper was published we:

1. Reviewed the paper to ensure our principles broadly aligned
2. Introduced a 'PR24 Objective Reporting Template' our research partners complete following key projects
3. Used the minimum standards as the central guidance of our independent external assurance

Our Participation Principles aligned in the design and way insight was used but did not specially call out governance areas such, as the ethics and assurance. In 2020 we introduced a framework with 7 research partners which ensures all partners are Market Research Society (MRS) accredited. Our research partners have completed the 'PR24 Objective Reporting' for major projects, which used the 8 standards set in the Ofwat position paper.

External assurance[11] has rated our engagement as high quality. The feedback from our independent and external assurance provided a 'green' rating from a RAG rating system for our engagement against the Ofwat minimum standards.



10 PR24 and beyond: Customer engagement policy – a position paper – Ofwat

11 See Section 5 of SRN14: Customer Insight technical annex for more information

Table 2: How our engagement meets Ofwat's standards

How our engagement meets Ofwat's standards	
Useful and contextualised	**Our customers have gone through a deliberative approach.** We provide wider context reading, customers review Southern Water, other water company, industry, regulator, positive and negative media stories relating to topics. They see performance data from websites such as Discover Water and CCW. We ask them to engage with friends and families on topics to bring in other viewpoints. We engage on all the major areas to our customers.
Neutrally designed	**Each project starts with the customer.** We start with open ended discussions to let customers lead their views, before we review specific topics. Because of deliberative approaches, if customers want to explore certain areas we then ensure this is done in future waves of work. For example, in November 2021 we ran a bespoke direct engagement session with our Environment Director, senior leaders and customers on the issues of storm overflows at the request of our household panel.
Fit for purpose	**We use high quality research partners on the topics that matter**. Our framework enabled us to play to a range of strengths with research agencies. Some specialise and have expertise in the water industry, others bring behavioural thinking while others bring a fresh consumer view. The range of partners helps us to try out new innovative techniques and learn from other industries. As independent experts they ensure customers clearly understand any engagement and questions being asked.
Inclusive	**We engage with an inclusive and representative audience.** Our engagement has had central panels at key stages which includes households, businesses, vulnerable audiences, future customers and community leaders representing diverse cultures. All these groups are recruited from across the region with a range of demographics and segments. We also engaged in deep dive sessions to understand the regional differences for our 14 main communities. Additionally we have engaged through community events, regular stakeholder workshops, customer closeness sessions and integrated real data from interactions, complaints, social media and many other sources.
Continual	**Customer insight is embedded and continuous.** The use of insight has become central to all our major programmes of work as well as used at very local issues day to day. From tracking social media sentiment, our response to incidents or selecting the major investment programmes – we listen to our customers.
Independently assured	**Expert and independent assurers have reviewed our engagement.** Using a structured process that follows Ofwat standards we have used experts to assure over 30 key reports and outputs. These cover a range of our framework providers, and the feedback that has influenced our plan the most.
Shared in full with others	**We share across water companies and colleagues.** We have a shared folder from South East water companies where key outputs from projects are stored, which has been shared across insight leads for the 17 water companies. When sharing we also share in full our reports and available summaries. (For more information on our partnership and sharing please see here: Collaboration and Partnership section of this chapter)
Ethical	**We work with accredited and ethical research partners.** The MRS has a code of conduct[12] which agencies must follow, to ensure ethical research. We have also run several programmes of assurance using external and independent experts.

12 Code of Conduct | Market Research Society (mrs.org.uk)

3.2.5. Methods of engagement for PR24

As well as the stages of engagement at PR24, our methods of engagement are broadly defined into three main areas:

- **The use of continuous panels –** to help put the customer at the centre of our plan, ensure greater inclusivity and be challenged by those more informed
- **Bespoke research –** targeted research into key elements of the plan to bring fresh, representative and robust views
- **Wider engagement –** other methods and analysis to bring 'in the moment' data and insight from customers

3.2.5.1. The use of continuous panels – building on best practice for customers to be central to our planning

We know the detailed working of the water sector can be complex. We also know customers want to participate in the decisions we make on their behalf and once engaged they become highly involved. Between October 2019 and August 2021 we trialled a Customer Action Group to help with our Water for Life Hampshire programme. The Group was made up of 40 customers from across the region that engaged through a series of 20 in-depth research waves to provide insight as our plans developed.

The trial was a success. The level of continuous engagement provided us with rich insight at every step of the programme. They helped with major decisions such as:

- Choosing what we called water recycling (from water reuse) as it better reflected expectations
- Assessing the criteria testing we used in our modelling to select the recommended solution
- Reviewing consultation materials – which we amended them before being used publicly
- Challenging our executive and technical teams in direct facilitated sessions
- Helping day-to-day decisions where an ordinary project would take too long or be too expensive (e.g. water efficiency campaigns or reviewing billing materials)

3.2.5.1.1. How each panel for PR24 worked

We wanted greater inclusion than previous research. By taking lessons learnt from the trial, a review of PR19 engagement by CCW and feedback from our previous Customer Challenge Group (CCG) we created a number of continuous panels. The approach and frequency of each varied depending on how best to keep members engaged.

We were careful to make sure each group remained independent and unbiased. At every stage we would show our plans, alongside industry materials, regulatory statements or reports, other water companies' viewpoints, and positive and negative media stories. In many exercises we asked members to discuss with their friends and family to reach a wider audience and ensure feedback was not too influenced by their level of engagement.

We asked [redacted], an independent research company who run our household panel, to provide their feedback on the use of a panel approach. Their feedback told us a panel approach provides greater collaboration, quality over quantity and a space for customers to confidentiality and credibly challenge Southern Water[13]. Customers led much of the discussion and the panels followed a deliberative process to help build their knowledge. Open questions allowed us to explore what matters to customers first before asking prompted questions on particular areas or options. Our independent research partners would then help triangulate views and present a holistic view of their feedback.

13 See section 3.1 of SRN14: Customer Insight technical annex

Each panel had an early wave focusing on what really mattered to them and their priorities. Other waves then included reviews of longer-term plans (such as the Water resources plans, drainage and wastewater plans and Long-Term Delivery Strategy). The most recent waves spent time assessing acceptability and options within our proposed business plan.

Over 145 customers have been part of the panels. We want to further improve by ensuring greater two-way dialogue, robustly demonstrating to these customers their positive impact. Further detail of the methodologies for each panel can be found in section 3.1 of SRN14: Customer Insight Technical Annex. The current use of panels for PR24 includes:

Household customer panel – 40 customers to represent our segmentation, region and range of demographics. 20 waves since April 2021. Engagement was mainly led through an online community and number of challenge discussions with technical leads and executive members.

Future customer panel – 40 future customers to represent our region. Nine waves of since November 2020. A spread of demographics and ages (14+ at school, further education and first time bill payers). Engagement included plenary sessions to help guide younger people to through the tasks, online communities and focus groups.

Business customer panel – 40 businesses responsible for water at their business. (20 from businesses reliant on water for their end-product, 20 wider water users). A range of industries and smaller to medium businesses. 3 waves since May 2022. Engagement included in-depth interviews and online tasks to allow for detailed discussions on business impacts.

Vulnerability customer panel – 20 customers with vulnerable circumstances from across the region. A range of different support needs and situations. 3 waves since May 2022. Engagement was through in-depth interviewing to allow independent moderators to help guide participants through the tasks.

Diverse cultures community representatives – 10 community leaders and stakeholders who represent communities from diverse cultures, where English isn't their first language. Community representatives as an approach was selected after a trial in 2021 that engaged with households where English was not their first language. 5 waves since April 2022. Engagement was through in-depth and small groups to allow for deep diving into specific needs of the audience.

"I have found my involvement with this engagement surrounding how Southern Water can improve its services to the communities (Muslim and migrant communities) that I represent very interesting, eye-opening and engaging. My knowledge of the challenges of water sourcing, processing, supply, wastewater disposal and issues surrounding protecting the environment has expanded, and the concerns of my communities were listened to because I was enthused by this engagement and felt free to speak vigorously to challenge Southern Water to improve on its services and addressing the concerns of the communities I represent."

Community Representative

3.2.5.2. Bespoke research programmes focused on key areas

To build on the reach of our panels we engaged fresh customers and relevant audiences to provide more holistic insight on key topics. For a full list please see our index in section 1.1. of SRN14: Customer Insight Technical Annex. For the examples below you can see more detail in section 3.2 of SRN14: Customer Insight Technical Annex.

1. **Long term planning**[14] **–** New customers from different demographics across the region were recruited to take part into two phases of research into our WRMP, DWMP and Long-Term Delivery Strategy. This aligned with public consultations of these plans. We integrated this research so customers could provide feedback across long-term plans, not on isolated components. The robust combination of our panels and fresh insight through iterative approaches meant our long-term priorities were co-created and supported by all customer groups. Projects included 4 community events held in target areas for new water resource locations to understand the local considerations of construction, an 'average person on the street' survey that recruited customers to take part in the consultation and joint work with Portsmouth Water on drought planning with households, vulnerable customers, businesses and stakeholders.

14 SRN14: Customer Insight technical annex, Section1: Index, 135 – LTS and DWMP Report – September '22

Co-creation of the Long-term Delivery Strategy with our customers

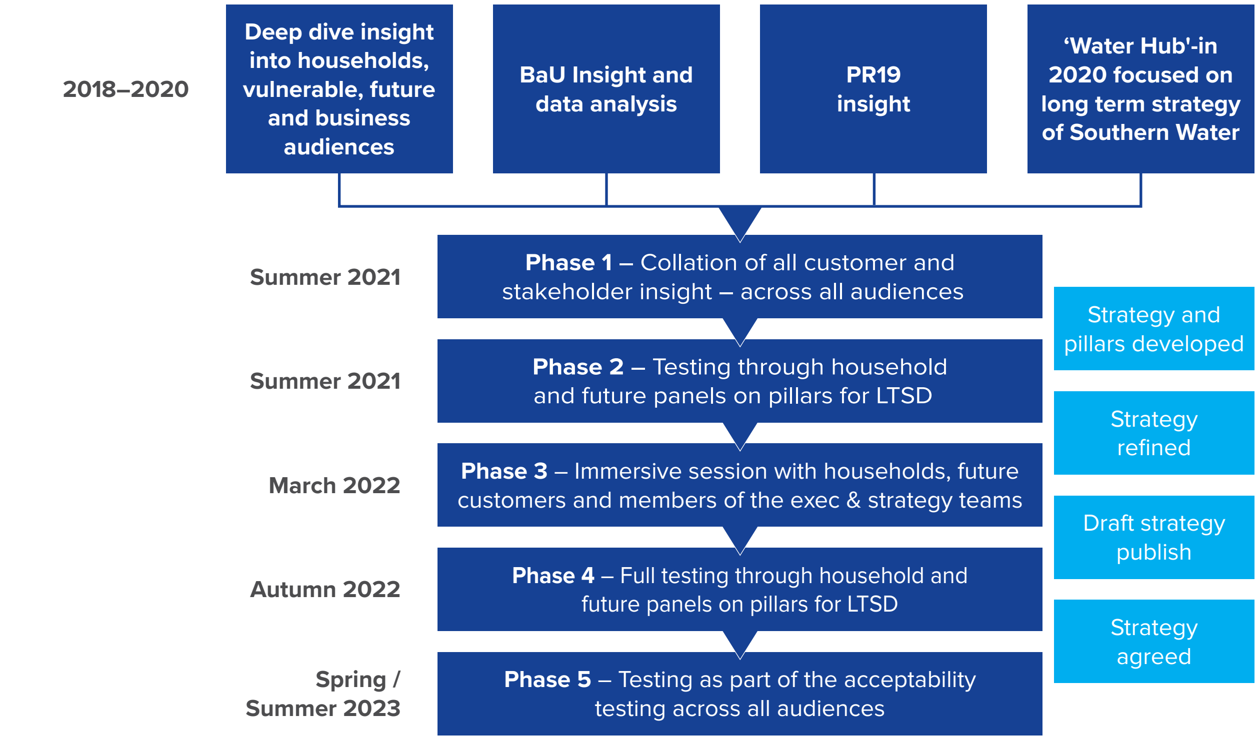


Figure 4: Co-creating our Long-term Delivery Strategy with our customers

2. Environmental ambition[15] **–** we heard in our pilot testing of our PR24 plan the concerns around affordability and the importance of the environment, so we needed to understand the right level of ambition for our customers. We used an innovative approach with over 1,600 customers for a 6-stage research sprint to gather the insight robustly and quickly for our plan. Our external assurance[16] of the final report scored top marks using the Ofwat quality assessment framework. The 6 stages we ran were:

1. initial qualitative research discussions groups with 12 customers from our household panel and 14 customers who had been through our Acceptability testing pilot. This followed a best-practice approach to deliberative research.
2. stakeholder workshop with members of our Independent Environment & Climate Change Group to ensure the options, language and emerging story were accurate.
3. survey with 501 customers to rank and compare options and provided initial ranking.
4. conjoint statistical analysis with 1,000 customers to trade-off between options (including cognitive testing).
5. 165 customers from our Acceptability testing reviewed some options of environmental ambition as part of the plan options.
6. reconvened 40 customers from our Acceptability testing for deliberative focus groups to review the environmental phasing in detail.

The insight showed us:

- **Storm overflows –** customers want the right long-term solution using nature-based solutions where possible to address the root cause. Ambition is needed
- **Resilience and sewer infiltration –** there is belief this will only get worse if not addressed, and therefore higher costs in the long term. Some concern over whether this should have already been funded[17]
- **Nutrient removal –** less known than some areas but felt responsibility should be shared because of the other parties involved. Customers want high environmental benefits prioritised and phasing of lower benefits

15 SRN14: Customer Insight technical annex, Section1: Index, 107 – Environmental Ambition Results FINAL Report – June 2023
16 See SRN14: Customer Insight technical annex for more details on assurance
17 More information available in the SRN53: Coastal Resilience, SRN49: Power Resilience and SRN50: Infiltration enhancement business cases

- **Net zero –** is an important area. Felt to be more the responsibility of government. Schemes (such as EVs) will come in naturally. Customers already fund through taxes and behaviour change, and do not want to pay through their water bill too

We presented the outputs from the research to our executive, board and technical planning teams who used this to re-phase our proposed plans. This included the addition of targeting bathing water overflows, sewer infiltration and increasing resilience becoming part of the proposed plan and we have looked at phasing for net zero and marginal nutrient removal schemes (across eight years rather than five).

3. **Water Resilience strategy[18] –** the research was to provide feedback on the enhancement case for resilience to four of our major water supply works. We engaged our household panel, boosted with fresh customers who had been involved in our Acceptability testing and those who had recently experienced a loss of supply event. We saw 78% supporting the plans with only 3% not supporting. The insight provides us a clear framework and unique considerations on how best to engage customers when delivering our plans.
4. **Advanced digestion[19] –** we needed to understand key considerations around how to introduce advanced digestion. We worked with farmers through a two-stage qualitative and quantitative project to understand their use of biosolids and their requirements for bringing in the technology. We also engaged our household panel to ensure they supported funding it. Customers support the use of this technology and farmers provided us with the insight needed to develop our plans.
5. **Water Futures 2030 quant waves[20] –** four quantitative waves from Jun 2022 to Aug 2023 (1,000 customers per wave). The surveys included a core set of questions tracking key trends of perceptions of us, media influence and concerns of the cost of living and affordability. Other topics were identified from our household panel feedback, such as diving deeper into wider issues impacting the use of our seas and beaches.
6. **Acceptability[21] and Affordability testing[22] –** our Acceptability testing followed the Ofwat and CCW guidance. We piloted the approach in early 2023 to ensure we met best practice. Our core testing engaged with 165 households, vulnerable, business, and future customers. We also included the digitally disengaged and lower income households. This included dual customers and wastewater only customers with South East Water. Whilst timings didn't align to run jointly with South East Water, we have both shared bill impacts and findings across companies to provide further robustness. We engaged a further 58 wastewater only project with joint research with Portsmouth Water. Additionally, we used the stimulus and approach to engage our household, vulnerable, business, future, and diverse culture panels. This helped provide a more robust and inclusive testing of our proposed plan.

Our Affordability testing also followed the guidance and was independently assured. We engaged with 969 dual households and 200 businesses. These interviews included vulnerable, lower income and digitally disengaged customers. Emails and letters were sent to a random sample of customers, with many requesting paper copies to complete the survey. As with our Acceptability testing, we also spoke with 582 households and 133 businesses with a joint project with Portsmouth Water. For our wastewater only South East Water customers we used an online panel and managed to reach 250 customers. We also ran a shadow survey with 500 dual customers using a panel methodology. This was to understand any difference between approaches, should we wish to re-run the research with changes to our plan in the future. Following the completion of the project, we ran a wave of research with our household panel to help better understand the results.

All our Acceptability and Affordability testing materials went through review stages and external assurance to make sure they were neutral and unbiased. We chose not to present our Turnaround Plan to customers as we felt it could positively influence customer feedback on our business plan. Following the Acceptability testing, we heard from customers our Turnaround Plan was an important piece of the puzzle and they were reassured by it.

You can see how we have responded to the feedback from customers on the plan testing in section 3.4 of this chapter.

"Southern Water's approach and materials for PR24 Affordability and Acceptability Testing meet Ofwat and CCW's prescriptive guidance"

Assurance statement from Independent External Assurers

18 SRN14: Customer Insight Technical annex, Section1: Index, 161 – Water Resilience Strategy – Aug '23
19 SRN14: Customer Insight Technical annex, Section1: Index, 108 – Sludge Debrief combined quant and qual – Feb 2023
20 SRN14: Customer Insight Technical annex, Section1: Index, 201a to 201d (Water Futures Quant Wave 1 to 4)
21 SRN14: Customer Insight Technical annex, Section1: Index, 207a to 207h Testing of the Business Plan
22 SRN14: Customer Insight Technical annex, Section1: Index, 207a to 207h Testing of the Business Plan

3.2.5.3. The use of wider engagement to understand our customers

Our communities are unique and we want to understand their bespoke needs and drivers. We first piloted a qualitative piece of research exploring differences between North Sussex, Southampton and Chatham. Pilot results showed differences in insight we could apply, such as a bespoke engagement campaign in North Sussex to track impact on C-Mex. We then expanded the research to an additional 11 locations. We used innovative approaches such as photo mood boards that help customers explain their feelings and are shared internally to help bring the insight to life[23].

We then analysed contact data, complaints and operational performance across these regions, and combined it with demographic data (such as income, ethnicity, customer segmentation) and satisfaction data from our Reputation tracking[24]. This insight helps us be more targeted with our communities by understanding them better, focus on key drivers of priorities and to rebuild trust and reputation by taking actions relevant our customers. For example, it allows our vulnerability teams to focus their attention on areas with the greatest deprivation.

23 SRN14: Customer Insight technical annex, Section1: Index, 123 – Updated regional insight brochure final and 145 – Regional Focus April 2023 Key Findings Report – April ‘23

24 SRN14: Customer Insight technical annex, Section1: Index, 26 – Southern Water – Reputation Tracker

You can see some of the detailed feedback we hear from our unique communities below:

North Hampshire

Many with family ties and connection to the area. Countryside, tranquility, walking areas and picturesque make the area unique.

Concerned: about lack of affordable housing and new developments in the area.

Key priorities: affordable bills, reliable water for the future, fixing leaks and supporting water efficiency.

North Sussex

Sense of community/ belonging. Strong links with nature and to cities like London and Brighton. Good balance of both with a real link to the coast as well.

Concerned: with influx of people moving to the area and new housing stretching infrastructure.

Key priorities: resilience of supplies and protecting the environment.

Chatham

Links to London and cheaper housing have led to a diverse community.

Concerned: was once a thriving area but now more deprived – lack of investment and lack of pride in the local area.

Key priorities: affordability, infrastructure keeping pace and better education.

Swalecliffe

Influx of new people choosing to live by the sea, especially with working from home. The sea and beaches are what draws people in.

Concerned: sewage entering the sea and impact on tourism and oyster farms.

Key priorities: preventing wastewater into the seas, affordability and supporting vulnerable customers.

Thanet

Many were born there or moved due to links with London. The sea and beaches and community spirit are perceived to make Thanet unique.

Concerned: about lack of investment and area looking run down. Town hasn't kept up with population growth.

Key priorities: storm overflows and bathing water quality.

Deal

Many were born there or grew up there, however many were also charmed by the quaintness of Deal.

Concerned: about lack of infrastructure and the lack of affordable homes being built.

Key priorities: storm overflows, bathing water quality and growth.

Central Kent

Grew up there or moved for links to London and is surrounded by beautiful countryside with great schools – best features.

Concerned: about lots of people and lack of infrastructure.

Key priorities: resilience of supply, tackling wastewater, supporting vulnerable customers.

Winchester

Many grew up here or stayed after studying. It's the setting of Winchester that is so special and unique.

Concerned: about high process and older demographics stuck in their ways, as well as new homes being a strain.

Key priorities: Low/ stable bills, storm overflows and improving the local environment.

Southampton

Best of both worlds – large city & local environment with a strong maritime connection.

Concerned: about loss of green space and impact of growth / development.

Key priorities: Future resources, protect environment and tourism.

Isle of Wight

Many grew up here or moved away from the mainland – being an island makes it special and its community feel.

Concerned: about travel being expensive, a bit run down, low wages and lack of opportunities.

Key priorities: Future resources of the Isle Environmental issues were key for the residents.

Portsmouth

Described as an 'island city', with the community naval history and connection with the sea is what makes it special.

Concerned: lack of investment in the city holding it back from its full potential.

Key priorities: prevention of wastewater entering the sea, protecting rivers/ beaches and customer service.

Worthing

Some that grew up there and some moving for a better life by the sea. The beach, South Downs and close to Brighton with more affordable housing.

Concerned: rising house prices and infrastructure keeping up.

Key priorities: affordable bills, reliable water supply and preventing wastewater spilling or polluting.

Brighton

The people and the feel of Brighton make it unique. The location and amenities of Brighton are the best thing about it.

Concerned: about prices, living up to its green status and homelessness.

Key priorities: tackling wastewater, affordability and protecting the vulnerable.

Hastings

Many were born and grew up here. The seafront and the things that make Hastings special. Equally it is the sea and what goes on there that makes the town.

Concerned: about the town being underfunded, poverty and anti-social behaviour.

Key priorities: low bills, bathing water quality and storm overflows.

Figure 5: Our regional profiles

Our index in technical annex SRN14: Customer Insight technical annex, section 1 outlines over 190 customer reports and analysis used in the development of our plan. Some examples of areas that help us have a more holistic understanding of our customers are:

Community engagement[25] **–** as well as the in-depth research into our communities mentioned above, we took our proposed plan across nine locations around our region. We used pop-up stands in high footfall areas to reach a broad range of customers. Whilst the overall theme was what customers expect from us, the detailed issues discussed were highly targeted. This allowed us to take away specific actions on customers issues to help resolve. We were also able to offer information on our social tariff or support for the most vulnerable.

Regional stakeholder workshops[26] **–** stakeholder engagement is part of our business-as-usual activity. Our regional managers engage proactively through meetings, regular newsletters and helping on local issues. We ran a series of bespoke regional sessions across our counties to share and discuss our proposals. Short presentations followed by moderator sessions allowed us to engage directly and answer challenges on our water and wastewater services and wider issues. Our DWMP received positive feedback, especially from stakeholders on the breadth, depth, and frequency to engage throughout the development process.

Developer, SLP and NAV workshops[27] **–** we ran bespoke research groups with these unique audiences. As an important part of many of our plans, we needed to ensure we understood their views. We made it easy for them to engage by combing research activity with workshops we were already running. Their feedback on our overall plans was focused on the services they provide to new developments. Our continuous improvement for developer services is a key part of our retail plan for these customers.

Data analysis[28] **–** real data is critical to understand customers' actions and what drives their needs. We ran several waves of analysis using complaints and contact data from April 2020 to summer 2023 – and combined this with used social media data, media data, Environmental Information Requests and performance data. This helped us understand across our region where service levels differed and provide greater robustness to our customer priorities for those areas. It allows us to better understand what matters to our customers, why and when. There are major differences around billing contacts where we have a joint arrangement with South East Water. We see contacts around leakage increase during drought conditions and a similar increase in complaints around overflows following media attention.

This data not helps us understand our customers and focus on their priorities and with our always on insight. For example, we can see the true drivers of impacts of loss of supply incidents – with a spike in contact across all water related issues and a lag impact of complaints that follow compensation payments. Using our analysis we have been able to improve the compensation communication to reduce complaints.

For a major loss of supply incident in Sheppey in July 2022 we saw contacts increase by three times on water issues and an overall satisfaction with the communications of 5.1 (out of ten). We introduced proactive text messaging and the use of a link to our website to direct customers for regular updates. With similar incidents in December 2022, we saw the score increase to 5.7 and contacts from customers only increase by two times. Further refinement then saw another incident in May 2023 achieve a score of 6.7 and only a relatively minor increase in contacts.

Your Water, Your say – More than 130 customers joined our Your Water, Your Say event with an independent chair, selected by Ofwat, to pose open questions to four of our executive team. This included our Chief Executive Officer, Chief Financial Officer, Chief Customer Officer and Chief Operations Officer. We promoted it to customers through our website, social channels, a random sample of emails and letters, community events, invites to key stakeholders and customer panels. The topics covered in the session and the pre-questions reflected the wider feedback we have had through a range of engagement channels. These included water supply and quality, future water supplies (especially Havant Thicket reservoir plans), storm overflows, pollutions and bonuses and dividends linked to our current performance.

Following the event, we gathered feedback from those who attended, with 66% rating it as a good session. Most felt it was positive we were holding this type of event, with good leadership representation and they welcomed more for the future. However, some wanted to be able to spend more time on local or specific issues relevant to them. In October 2023 we are trialling an in-person event called 'Your Water Matters' which will have 10 different stalls run from across our different services. This event is designed to support a community on their local issues.

> *"A good opportunity for customers to express their opinions and ask questions and getting a reply right from the 'top'"*
>
> **Your water, your say attendee**

25 SRN14: Customer Insight technical annex, Section1: Index, 204a to 204d – Community Engagement
26 SRN14: Customer Insight technical annex, Section1: Index, 119 – Stakeholder Workshop – July 2023
27 SRN14: Customer Insight technical annex, Section1: Index, 203d – Developer, SLP and NAV workshop Reports – Sep '22
28 SRN14: Customer Insight technical annex, Section1: Index, 22, 137 and 138 (contact and complaints analysis)

3.2.6. Collaboration and Partnership with other water companies

Since 2020 we have significantly improved our collaboration and sharing of customer insight which is adding real value for our customers. We have a number of tools and processes, as well as informal check-ins with our insight colleagues from other water companies. This gives us better quality engagement and more insight on which to base our decisions. This comes from sharing what we learn from our customers and innovating to use best practice approaches. Some examples of collaboration include:

Table 3: Collaboration and insight sharing

Collaboration Area	Partners	When	Approach	Lessons Learnt	Impact
Water Efficiency Behaviour Change with BIT (Behavioural Insight Team)	South East Water	Jan–Jun '20	Joint in-depth qualitative research, analysis sessions and recommendation review from BIT	Specifics around usage for bathing, toilet use and motivations	Created efficiency campaigns using motivations and recommendations from BIT
Portsmouth Water Partnership	Portsmouth Water	2021 onwards	Regular bespoke sharing of customers in the area and joint projects for drought planning, Acceptability & Affordability Testing (AAT), insight sharing	Best practice for drought plans, impact of relationship on service levels	Efficient research which allows customers to provide feedback on their overall water and waste services together
South East Water company Partnership	SES, Thames, South East Water, Affinity, Portsmouth	2021 onwards	Monthly meeting, joint SharePoint site for reports, bespoke sessions for sharing (e.g. on customer priorities or AAT lessons learnt)	Examples include: Best practice on triangulation and assurance. C-Mex drivers	Accelerated partnerships in AAT, provided new data sources from customers in the South-East
Water Resources South East (WRSE)	SES, Thames, South East Water, Affinity, Portsmouth	2021 onwards	Joint research into supply and demand options around water resources. Specific collaboration on schemes.	Limited difference on ranking of supply options across all customers	Cost efficient and robust research with clear evidence on the validity of other water company insight on resources
Water Garden Use ethnographic Research	Wessex, Anglian, Northumbrian, South East, South Staffs, Portsmouth	2021 and 2022	Ethnographic research using video cameras across homes in all areas of England to track actual behaviours vs perceptions	Interesting distinction in garden use, as water not going down the sink isn't considered 'wastage'	Shared across the industry. Helped for bespoke campaign routes on garden usage (especially in Spring)
Communicating Changes to Water Sources Research	Affinity, Anglian, Severn Trent, Thames and Cambridge Water	2022	A review of existing research, qualitative and quantitative study that included taste tests	Key challenges around different sources – such as desalination and water recycling	Shared across all companies to provide a consistent communication framework for engaging customers on changes to water sources
Customer Priorities – South East Deep Dive	SES, Thames, South East Water, Affinity, Portsmouth (Also attended by Ofwat and CCW)	October 2022	An all day online workshop to review individual approaches and learning from customer priorities analysis	Large similarities and consistencies across companies. Differences were often due more to company relationship or the research methodology	Large data set of priorities and assistance in reviewing the similarities and differences from customer insight experts

In addition to the examples above, there are regular updates with the 17 water companies and other bespoke sessions on shared topics. For example we have shared full data across supporting vulnerable customers with Thames Water, Water Recycling insight across England and Wales and many other ad hoc sessions.

To help facilitate the best practice sharing of research approaches and to increase the value of customer evidence we set up a SharePoint site in partnership with the other water companies in the South-East of England and gave access to the wider water sector.

3.2.7. Triangulating customer insight

We used a robust and independently assured triangulation approach, following best practice[29], from over 30 unique data sources. This included research across our range of audiences, customer data, our performance data compared to previous commitments and other companies and reports from the industry (Ofwat, CCW, Water UK) and other water companies.

Expert external assurance rated our engagement as having good coverage across the topics, with no major gaps. Where some priorities have moderate coverage in the assessment, this was because we used external sources such as industry reports from Ofwat, CCW and the Institute of Customer Service to support our research.

We combined all these data to give us our overall triangulation of customer priorities. We split this down further to give us a view from our customers only and an England and Wales view using regulatory documents. We then compared how the our customers' views differ to both the combined and national views.

Each source of data had a credibility rating applied that looked at its recency, robustness and relevance. A greater score was applied to those that were recent, highly robust (either by having lots of participants or having a high awareness of the water industry) and relevance to multiple priorities. These scores were added together for each paper and then a weighting was applied depending on its credibility score.

Finally, we applied an overall weighting depending on the customer audience. Vulnerable customers had an increased weighting due to their needs for additional support. Future customers had a slightly reduced weighting due to them not being current bill payers and some may not pay until later in AMP 8. Businesses were reduced slightly due to the lower volume of customers when compared to households. Stakeholders had a significantly reduced weighting due to other avenues to regularly influence our plans and their affinity to their organisations.

Our use of our panels and Customer and Communities Challenge Group helped calibrate our findings. By using the committees as part of our panels we were able to ensure the outputs from our insight were calibrated to represent customers' views. Our Challenge Group then helped to ensure our overall similarities and differences were well understood.

For more information on triangulation, see section 3.4 of SRN14: Customer Insight technical annex.

3.2.8. How we act on what customers tell us

As part of our engagement strategy we developed a number of ways to ensure that the insight from our customers was relevant, accessible, tailored and integrated across the creation of the Business Plan.

Executive engagement – because our insight is continuous and our customer engagement was early, it meant the voice of the customer was summarised and fed into plans right at the start. This included summaries on priorities, audiences, trends and what they wanted us to focus on were taken from robust research. The executive were involved at every stage such designing our engagement plans, immersion into our overall insight, deep dive feedback for key decisions and direct customer engagement.

Board engagement – the voice of the customer was central to board engagement. Our ESG subcommittee reviewed quarterly feedback, which was unfiltered from our customer insight. A board member attended all our Customer and Communities Challenge Group meetings, with 5 different members attending in total. Since January 2023 each board strategy session has had a customer insight focus looking at their priorities, cross cutting themes, plan feedback and bespoke insight on ambition.

Cross cutting themes shared at every level – by September 2022 we had developed a number of key cross cutting themes that were referenced and assured by customers and our Customer and Communities Challenge Group. These themes set out the boundaries and fundamental insight that set our customer expectations. These themes were run through in detail by our executive, Board and PR24 technical and supporting teams.

Embedding the voice of the customer – from May 2022, we introduced a monthly presentation and Q&A session on the latest insight across the PR24 teams. Infographics were produced of the lead insights (such as priorities, trends, challenges from future customers and regional analysis) to help maintain the prominence of the customer.

29 Triangulation: A review of its use at PR19 and good practice - CCW

Customer engagement sessions[30] **–** since October 2021 we have held regular sessions where our PR24 and wider leadership teams would directly engage in breakouts with our customers. This included two sessions in January and March 2023 where our entire Executive and Senior management team heard early feedback on our proposed plan. This early engagement helped us make improvements to our plan, such as on our ambition for overflows and rephasing of bill profiles.

Customer engagement tool – we created a customer insight synthesis tool to capture all the key insight and feedback we have had and store it in one interactive tool. It allows users to see different components such as the key trends, priorities or feedback on our long-term plans. It includes the summaries from our different audiences, customer segmentation and regions. Following the submission of the plan, this tool will be shared through our SharePoint with other water companies to help across the sector.

Case study: One innovative approach was to bring two different audiences together in one customer engagement session. When working on our long-term strategy in March 2022, we had seen differences between our household and future customers. Households were trading off bills against investment and feedback from some customer segments was focused on our legitimacy – particularly around shareholders, profit and executive pay and dividends.

However, future customers were telling us they didn't see the trade-off between the environment and economy – 'why should one suffer for another to benefit'. Instead, they saw the environment and economy as one thing together.

At the engagement session we had a plenary session where young people shared their views via pre-made video reel and household customers through live presentation. We then had six moderated breakout sessions (three young people and three households) which also included our executive and strategy leads for PR24. We then brought the whole group back together.

The graph shows both groups of customers shred common ground. However, households (Water Futures 2030) remained balanced over bill affordability, especially with the cost of living. Future customers (Water Futures 2050) felt more strongly towards investment for long term pay-off.

The bringing together of both groups allowed us to directly understand and hear challenges from both audiences – and ultimately led to the final development of priorities of our long-term strategy, which were universally supported across all customer groups. This is an approach we will continue to use in the future when significant conflicts in insight arise.

As you can see on the left, both groups of customers shred common ground. However, households (Water Futures 2030) remained balanced over bill affordability, especially with the cost of living. Future customers (Water Futures 2050) felt more strongly towards investment for long term pay-off.

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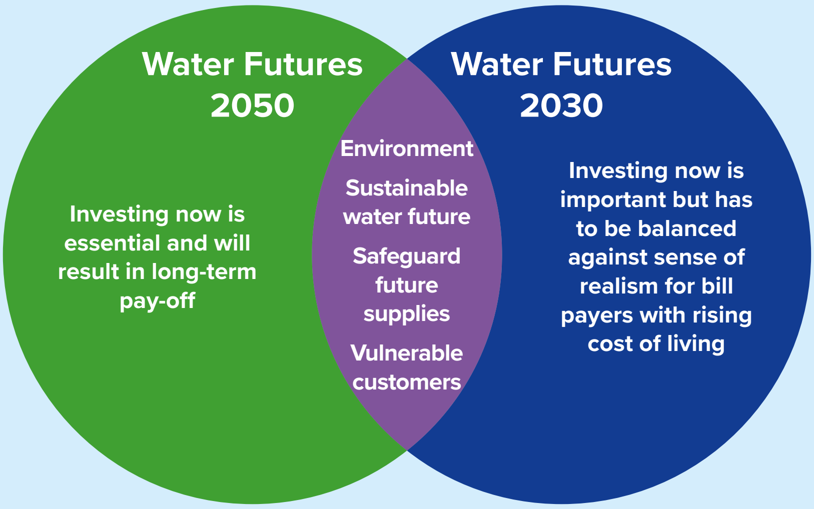

30 See section 5.3 of SRN14: Customer Insight technical annex

3.3. What we have heard from our customers

3.3.1. Changing Customer Expectations and Influencing Trends

Our continuous engagement has shown five main factors that have shaped changes in customer priorities and expectations since PR19:

Pandemic – has made us all more socially responsible with a greater awareness and appreciation to support customers. We are all more focused on wellbeing and our local environment and natural space. 85% told us during the pandemic they will change the way they consume information[31].

Environment – to 'protect, improve and restore', the environment is central to every conversation with customers, especially to protect for future generations. 86% tell us the environment is more important than ever before[32].

Proactive planning – stronger understanding of the impact of extreme events and impacts of climate change and how vital water services are. Customers think the top three challenges for us are ageing infrastructure, growing population and climate change[33].

Integrity and transparency – poor reputation and distrust of us and the sector means much greater media and public scrutiny on all our activity. Once aware of the EA fine, 92% told us it had a negative impact on their perception of us[34].

Cost of living – a need for bills to be 'affordable for all' with many feeling 'the squeeze' in the current climate. Concerns on affordability peaked in June 2022 with 54% concerned about future water bills, although by July 2023 this has reduced to 40%[35].

Pandemic	Environment	Proactive planning	Integrity	Cost of living
Understanding and supporting our customers	**Protect, improve and restore**	**Prepare fully for future challenges**	**Improvement and commitment to change**	**Affordable billing for all**
Recognising how our customers' needs and worlds have changed (work, leisure, finance, nature). Showing how we look out for customers who need more support. Being prepared for future extreme events.	The environment is central to every conversation with customers and to protect for future generations. Demonstrating positive environmental actions now, and considering the environmental impact of everything that we do.	Showing how we are going to address all known future challenges stemming from climate change population growth and ageing infrastructure. Working with customers of tomorrow to help shape their world and tackle what matters to them.	Delivering a smaller number of tangible improvements that show how we are changing. But also addressing the here and now such as CSOs, leakage and ways of doing business.	Ensuring vulnerable customers and newly financially vulnerable customers are aware of all the payment support we can offer them. Showing that we understand and care by applying decreases when we can and carefully balanced increases for funding future priorities.

Figure 6: Our customer identified trends

31 SRN14: Customer Insight technical annex, Section1: Index, 134 – Life Under Lockdown – Insight Summary – Aug '20
32 SRN14: Customer Insight technical annex, Section1: Index, 201d – Water Futures Quant Wave 4 – Aug '23
33 SRN14: Customer Insight technical annex, Section1: Index, 201c – Water Futures Quant Wave 3 – Mar '23
34 SRN14: Customer Insight technical annex, Section1: Index, 143 – Image and Reputation Research Full Report – Oct '21
35 SRN14: Customer Insight technical annex, Section1: Index, 201d – Water Futures Quant Wave 4 – Aug '23

3.3.2. The damage to customer trust

Linked to the five trends identified above, we have seen a significant erosion to the trust customers have in us.

The actions of water companies are becoming increasingly salient issues[36]. In the past water and the activity of water companies have rarely been front-of-mind issues for customers. The context for all water companies has changed.

Our historic performance issues, and the court cases that made headlines in 2021, have led to a level of mistrust and an erosion of public confidence in our operational resilience alongside questions about our integrity and transparency. The politicised nature and level of public scrutiny received is likely to get worse in the years ahead. This creates a challenging environment and we must respond.

> *"The amount of water polluted into the seas because we don't have adequate storage. I don't know how much they have spent on investing in the necessities. They seem to take the cheap option, rather than investing."*
>
> **(Highly engaged customer in water industry)**

The loss of our customers' and communities' trust can have a significant impact on what they think about our services. The loss of trust can also impact our customers' and communities' wellbeing. Negative perceptions about water quality also impacts our customers' enjoyment of their coastline. Customers are more likely to be starting from a negative place when thinking about us. Customers actively want to hear from us on a wider range of issues, particularly how we are tackling storm overflows and but will be more sceptical or cynical about messages they receive from us.

Our Social media volumes are disproportionately high[37]. Following the parliamentary vote on the Environment Bill in November 2021, we had three times the social media coverage than the next water company. In 2022 we had the second most social media mentions of all water companies, only slightly behind Thames Water – who have three times the number of customers. From August 2022 to August 2023 our top negative stories received 10 times the reach compared to positive[38].

Our top three negative sentiment mentions have a reach of circa 4 million while the top three positive mentions have a reach of circa 400,000.

Negative sentiment impacts overall perceptions – following our most intense media scrutiny and looking at the detailed breakdown of the UKCSI metrics for Jul 2022, we saw all 34 measures (scored out of 10) drop from the previous wave (January 2022). This indicates our damaged reputation (falling from 6.7 to 6.2) has shifted overall sentiment and therefore the impact on all scores:

- 'Product / service range' from 7.5 to 6.9 – despite no material change to the services we offer
- 'Price / Cost' from 6.9 to 6.4 – despite a price decrease of 1.3% in April 2022
- 'Does the right thing for business practices' from 6.9 to 6.3 – despite a rating on Glassdoor from 3.1 to 3.2 (Scored out of 5, Jan-Jun)

Additionally, analysis of C-Mex data shows high levels of media activity directly correlate with decreases and improvements from C-Mex[39]. When we reduced our bills in April 2022, 52% felt that bills had risen in the previous 12 months, compared to only 10% thinking they had fallen[40].

Perceptions of water quality are impacting customers – perceptions can become a reality. Only 16% think that sea water quality is better now than it was 30 years ago and 49% think it is worse. 58% think it is worse than five years ago[41]. 86% of customers' feel worse about water quality when they see a negative[42] story.

3.3.3. Foundational insight – common themes

These factors have influenced and shaped a number of cross cutting themes[43]. Regardless of the type or topic of engagement, these themes underpin what customers want from us:

Customers want to see tangible delivery on a few key areas. Focusing on fewer things and delivering on them with credible targets. They want us to prepare for the future and are reassured by plans, but fundamentally want to see actions we are taking now.

In response, we have a new management team delivering a measurable 2023–2025 Turnaround Plan[44] which focuses on the key areas to customers.

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36 SRN14: Customer Insight technical annex, Section1: Index, 196 – Comms Investment Final Combined Report – Sep '23
37 SRN14: Customer Insight technical annex, Section1: Index, 125 – competitor analysis 2022–2023
38 SRN14: Customer Insight technical annex, Section1: Index, 191 – Reputation Deep Dive – Summary Presentation – Aug '23
39 SRN14: Customer Insight technical annex, Section1: Index, 191 – Reputation Deep Dive – Summary Presentation – Aug '23
40 SRN14: Customer Insight technical annex, Section1: Index, 201b – Water Futures Quant Wave 2 – Dec '22
41 SRN14: Customer Insight technical annex, Section1: Index, 201c – Water Futures Quant Wave 3 – Mar '23
42 SRN14: Customer Insight technical annex, Section1: Index, 153 – Waterside wellbeing report – Oct '22
43 For more detail and references, see section 4.3 of the SRN14: Customer Insight technical annex
44 Our plans (southernwater.co.uk)

The environment is central to everything we do and while bills need to be affordable, this should not be at nature's expense. They want us to treat the environment better and put nature first. Customers recognise engineering solutions are needed but they want natural solutions to be the right first choice. Bills need to be affordable with support for those that need it most. However, they are prepared to invest now for future generations, with us showing leadership.

Following this insight, we are using innovative trials to tackle storm overflows now with natural solutions that address the root causes. We will take what we learn and apply this to our delivery between 2025 and 2030.

Customers want to see us collaborating and using technology at pace. Everything is a two-way relationship and we need to be seen to do our part. Collaboration is key with regulators, neighbouring water companies, local authorities, and other organisations on what is right. The main problem from our stakeholders and in local communities is to work together on new housing and population growth. The pandemic showed how quickly newer technologies can be adopted. Customers think that new technology and innovation will play crucial roles in the future of our resources, infrastructure and the services we provide.

To deliver on this we are digitising our networks and using our Pathfinder trials[45] to collaborate on tackling storm overflows.

The loss of trust in the industry is placing greater scrutiny on what we do. Our reputation is damaged, and we see major differences based on local communities. The loss of trust is most felt by our coastal communities because perceptions about storm overflows is impacting wellbeing, tourism and nature. Customers want to see ambition and pace to address these. The demand on the industry has led many to feel the system is broken and our future customers challenge the entire industry to embrace change faster and for it to be more radical.

Our shareholders have provided further equity to improve performance on what matters to our customers now to set us up for the future.

Customers want us to take the lead and help make it easy for us all to act. This is by us showing visible leadership and expertise so they can have confidence in investments. People want to play their part through behaviour change, as long as they see us 'holding up our end of the bargain'. The water shortfall is not recognised and the focus of behaviour change feels wrong. They want to see us step up on leakage, affordability, and the environment.

We are better using insight to help better communicate our Business Plan[46] investment with bill impacts once we have the final determination

Customers want us to understand their community. Our customers are connected to the sea and it is a primary driver for all our communities living on the coast. They want us to help educate young people as well as households and businesses. Customers want consistent and good service, especially when things go wrong. This is especially true for vulnerable customers who need greater support.

We have enhanced our communication team with new engagement tools and developed a reputation rebuild strategy[47] to help engage with our customers and stakeholders.

Customers expect a blend of solutions that think about best value for the long term and show credible progress in the short term. They want us to make decisions that are based on best value. They often refer to investing properly now rather than an issue getting worse and having to pay more in the long run. They want us to use our expertise to go over and above, with the greatest focus on environmental benefits. Our future water resources and wastewater infrastructure should be a blend of solutions and be future proofed. This is so consumption can be fairer to future generations and ensure we all have access to the reliable water.

Our Water Resources Management Plan worked with customers to build a blend of solutions that use what we have now, address the root cause of scarcity with new sources and collaboration with neighbouring water companies.

3.3.4. Customer priorities – ranking of performance

Outcomes from water companies can be confusing to customers, with most priorities not being mutually exclusive. To provide more meaningful engagement our priorities and the definitions used were developed and defined by our customers.

Our household customer panel explored water company and industry materials (such as Ofwat's priorities) and spoke with their families and friends to develop their priorities. Fresh deliberative insight with households, businesses, future, vulnerable and stakeholders was then combined with these results to create our customer priority list.

Our scoring was then used to ensure our level of ambition for our performance commitment targets reflects our customer priorities. (For more on our ambition of performance commitments, please see the Costs and Outcomes Chapter).

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45 Pathfinder projects (southernwater.co.uk)
46 SRN14: Customer Insight technical annex, Section1: Index, 196 – Comms Investment Final Combined Report – Sep '23
47 SRN13: Reputation, Trust and Transparency technical annex

Our robust and independently assured triangulation combined with our in-depth engagement with our customers shows us the relative scoring, but also the story behind each one.

It is important to remember that all of these priorities are important to customers and the scoring is when a trade-off is forced. We then index the scoring from each piece of data to provide a relative score between 0-100. (100 being the strongest priority).

Indexed Score	Description	Rank
100.0	**Current Water Supply-** Continuous supply of clean wholesome water	1
89.8	**Pollution -** Prevent waste water entering the environment	2
87.7	**Internal Flooding**	3
85.8	**Water Quality & Restrictions**	4
81.0	**External Flooding**	5
79.1	**Future Water Supplies**	6
75.9	**Leakage**	7
75.4	**Wastewater Infrastructure**	8
74.4	**Bathing Waters & Rivers**	9
72.8	**Protect Infrastructure from Growth**	10
72.8	**Nature Based Solutions**	11
66.4	**Support Vulnerable Customers**	12
65.9	**Bill Affordability**	13
57.9	**Carbon Emissions**	14
55.3	**Water Efficiency**	15
52.4	**Customer Service**	16
44.7	**Regulatory Compliance**	17
42.8	**Working with Developers**	18
21.5	**Community Engagement**	19

Figure 7: Output from our Triangulation of Customer Priorities[48]

48 For further information and references please see section 4.2 of SRN14: Customer Insight technical annex

Based on the scoring from our triangulation model we see the priorities into three levels, level 1 being the highest:

Priority level	Customer defined priorities						
Level 1	Current water supply	Pollution & storm overflows	Internal flooding	External flooding	Future water supplies	Leakage	Wastewater infrastructure
Level 2	Bathing waters & rivers	Protect infrastructure from growth	Nature based solutions	Support vulnerable customers	Bill affordability	The cost of living and bill increases sees affordability increase to a level 1	
Level 3	Carbon emissions	Water efficiency	Customer service	Regulatory compliance	Working with developers	Community engagement	

Bill affordability – Priority level 1, especially important to lower income households[49]. The importance of bill affordability is nuanced. Current bills today are felt to be relatively affordable compared to other utilities and household bills. However, the cost-of-living crisis means customer are feeling the squeeze. In the most recent data sources and with proposed increases to bills, future affordability has risen as a top priority in testing. We also see the relative importance significantly increase for bill payers, who ultimately will be funding the investment from 2025 to 2030.

> *"This is the big one now, overtaking the pandemic; families are being hit hard and will have to make some major changes to their lives."*
>
> **Household customer panel**

The difference between a priority and area of improvement:

However, when mapping the other priorities and looking at our in-depth insight we see notable interconnecting insights which needed to be reflected in our planning. For example, stakeholders and our most informed customers highlight that outcomes such as carbon emissions are impacted by other priorities. For example, if leakage was reduced or nature-based solutions used to capture rainwater, this also lowers your carbon impact.

There is also a distinction with customers between what is a priority and where they want most improvement. The provision of clean water is a top priority. However, for many this service is already felt to be high. While failure is not an option, their desire for 'improvement' is less than the for our use of storm overflows or leakage where current performance is not seen as acceptable. We also see our customers group together 'pollution and storm overflows'. For customers this is wastewater entering the environment.

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49 For more information on affordability see section 4.5, Affordability of SRN14: Customer Insight technical annex

You can see the relative scoring and areas where customers would like most improvement below:

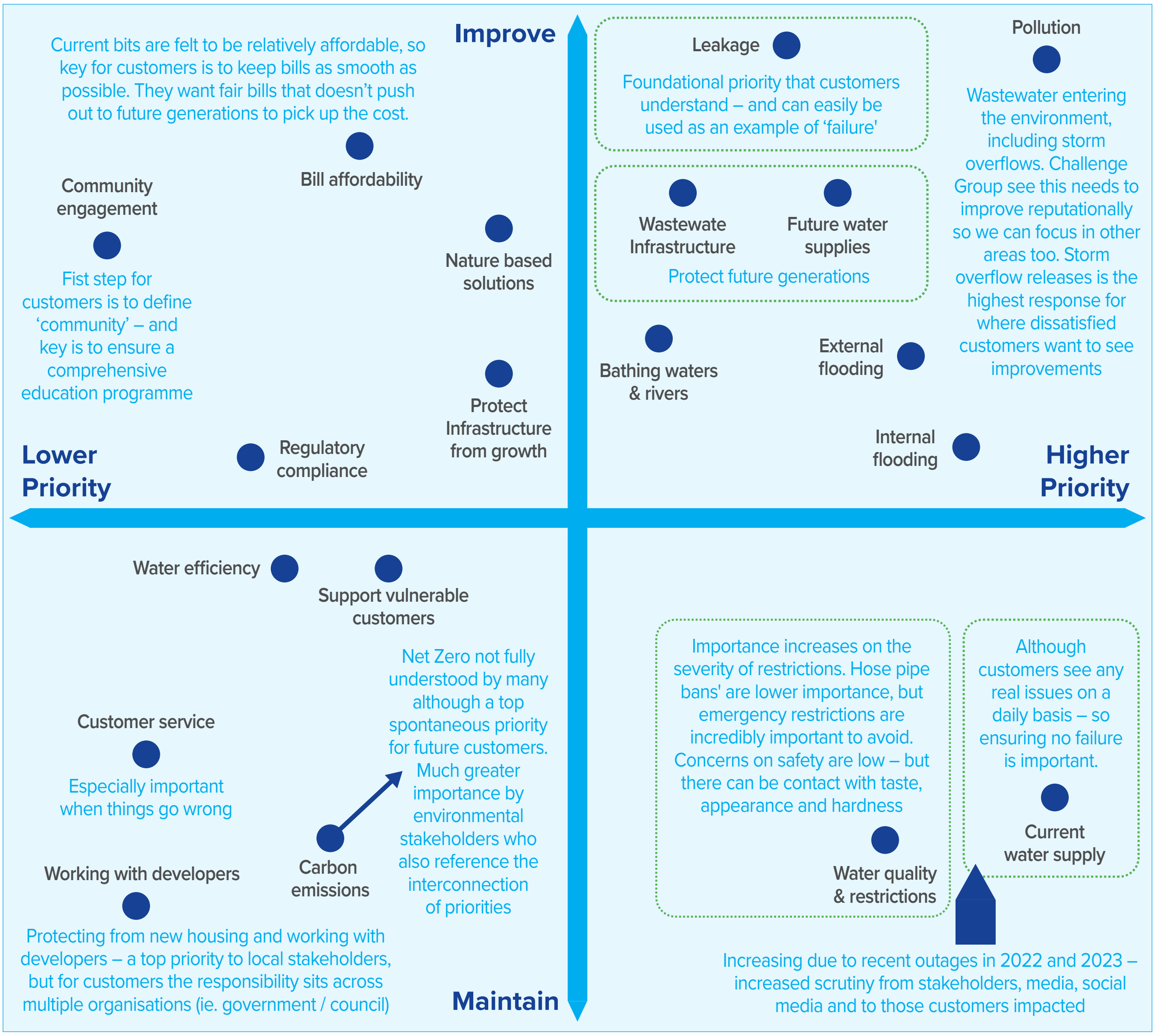

Figure 8: Our customer priorities mapped to where they want to see greatest improvement

Further detail on our level 1 priorities:

Current water supplies – Priority level 1. Customers recognise that the most important and fundamental service is the provision of clean, wholesome and safe drinking water. Stakeholders have cited recent loss of supply incidents in 2022 and 2023 to place greater importance on resilience.

Pollution – Priority level 1 and top area to improve and see ambition. Customers group the impacts of pollution and use of storm overflows into wastewater entering the environment. Neither are acceptable to customers. Informed customers want the environment prioritised in reducing impacts. With our customers connected to the coast, this is the top area they want to see improved.

> *"We have had quite a few incidences of sewage outages in the sea when we actually couldn't swim. The fact that this happens at all is still too often."*
>
> **Business customer**

Water quality & restrictions – Priority level 1. Perceptions of water quality are high, with most customers satisfied. However, when issues arise, they are on taste, appearance and hardness, rather than safety. Customers want to ensure we maintain high quality water. Recent 'hosepipe bans' have placed greater focus on the impact of restrictions and their introductions can lead to perceptions of mismanagement.

> *"The improvement of water quality (or at least, avoiding a degradation of water quality). I think the benefit here is clear – better quality water (and safer) which looks and tastes better for all customers concerned."*
>
> **Household Customer**

Internal flooding – Priority level 1. All understand the devastation that internal sewer flooding can have, linking the causes to an out-of-date network and storm overflows but also understanding the role customers play in clogging up drainage in the home. Any flooding feels like too much and prevention is felt to be part of a wastewater providers role.

> *"To imagine this happening is devastating. It does make me appreciate all the things customers never even think about when we turn our water taps on and have running water."*
>
> **Household Customer**

External flooding – Priority level 1. The impact of climate change and wet weather means that external sewer flooding feels a little more normalised. An increase in wet weather means external flooding is felt to be more frequent, and as such customers expected figures shown here to be higher.

Future water supplies – Priority level 1, especially to ensure future generations are protected. Awareness of water scarcity is low as many believe water is abundant. Once scarcity is explored it is a top priority for customers. They support protecting the environment by reducing reliance on abstraction and new sources. They first want us to protect what we have today (by reducing leakage and improving water efficiency). Secondly, they want us to develop new sources that are scalable for future needs. Customers want the right long-term solution that offers best value rather than short term fixes.

Leakage – Priority level 1 and top area to improve and see ambition. Customers want leakage to improve. It has consistently been a top priority for the industry. It is seen as not managing what we already have and 'wasteful'. Any volume of leakage is met with challenge by customers, especially when asking customers to reduce their use.

Wastewater infrastructure – Priority level 1. Customers want to see the same services for future generation as there are today. The impact of wastewater entering the environment, the risk of flooding, blockages and pollutions all place greater importance on infrastructure.

> *"Climate change is going to affect us all. The weather system is changing. You have to have the capacity to protect it."*
>
> **Vulnerable customer**

How our priorities differ to national priorities:

We integrated with wider data sources to help calibrate our priority scores and ensure greater robustness. We also held a bespoke session with other water companies from the south east, CCW and Ofwat to help understand these differences. Overall, there are many consistencies we see right across customers from different suppliers. When comparing to all data sets (including those from other water companies and regulators' reports) we do see some areas where there were notable differences:

1. **Lead pipes introduced as a priority –** this is an area not spontaneously discussed by our customers. However, in bespoke research as part of always on-insight[50] we agree on its priority. Customers are concerned for safety, especially those with younger children – which places a high emphasis on lead removal schemes.
2. **Water pressure and transparency / accountability as level 3 priorities –** we agree these are important across the sector and our reputation means transparency is particularly important. However, in our research customers discuss this more of a 'way of working' rather than a priority outcome, so we developed a strategy[51] to help ensure we focus on greater transparency.
3. **Pollution and storm overflows –** we see lower importance by national customers on pollution and storm overflows and bathing waters and rivers compared to our customers using three Ofwat and CCW research projects[52]. While these are less of a priority nationally, our customers have been very clear that this is a top priority for them.

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50 SRN14: Customer Insight technical annex, Section1: Index, 178 – Deal Lead Pipes Key Findings Report – Mar '22

51 See SRN13: Reputation, Trust and Transparency technical annex

52 SRN14: Customer Insight technical annex, section1: Index, 14-CCW Cust Pref, 11-CCW Spot2022, 24-PJM Economics – Collaborative ODI Research

In particular we did in-depth analysis[53] to help understand the differences on pollution and storm overflows and bathing waters. We see two core influencing factors:

- **our customers are more connected to the coast –** 73% of our customers have visited the beaches in the last two years, compared to 30% nationally[54]
- **performance and public scrutiny place greater emphasis on these areas –** 95% of our customers have heard negative media on water quality of our seas and rivers[55]

How priorities have changed overtime[56]

Our tracking of customers' priorities since 2018 shows where their expectations change. The provision of a consistent and reliable supply of clean and wholesome water has always been a stable fundamental service and remains the highest priority for our customers.

The environment has always been important. However, we saw a shorter-term increase in importance in 2020 due to the pandemic helping customers connect with their local environment. Following the EA fine in 2021, greater awareness of our use of storm overflows and our past performance placed greater emphasis on the need for water companies to improve. As a result, we see wastewater services now a top priority.

The importance of affordability increased significantly from 2021 through to 2023. We have seen concern for customers' ability to manage bills increase with the cost-of-living crisis. When looking at possible bill increase, its importance grows further.

The support for vulnerable customers has also increased. First with the pandemic where customers felt more connected to their local community and had greater appreciation for those that needed help. Secondly, the cost-of-living crisis has also placed a greater spotlight on providing support.

Leakage remains a high priority to customers. However, during a temporary use ban in Hampshire and media coverage of drought in 2022 we saw this increase. This was reflected in customer contacts, social media data, media sentiment and feedback through research.

How customer priorities differ by audience[57]

From our range of engagement and analysis we see significant levels of consistency on our customers' priorities. Similar to differences compared the national view, our coastline is a key driver. Communities along the coast live there because they want to enjoy the sea and beaches[58]. We also see some differences between some of our different audiences. See section 2.2 of the technical annex SRN14: Customer Insight for our audience infographics.

Household customers

Every customer is an individual with different attitudes, beliefs and experiences. They represent a range of demographics and current life circumstances and a variety of perspectives and priorities. Our household customer segmentation[59] with 7 segments, driven by common factors, helps us to understand these differences.

We have seen an increase of dissatisfied customers driven by our environmental performance and media transparency. In May 2021 we saw that circa 5–6% would rate us between 1–3 out of 10. This has increased to around 15% in August 2023.

One difference we see from households is that the views from our 'Disillusioned and Passionate' segment are now shared more broadly with customers who feel let down by performance – especially in relation to company ownership, shareholders and executive pay. Media attention heightens these attitudes. Those with more positive views are generally from customers who have direct interaction with the our teams and cite good service and problem solving as key positives[60].

Future customers

These customers are more focused on the long term, with the environment central to all their feedback. Future bill payers tend to see the industry more collectively rather than supplier relationships which can influence today's household customers.

We see a strong focus on all environmental issues to reserves existing environmental damage, focus on climate change and think about the consequence of environmental degradation. In water resource testing they shared that a condition of support for new infrastructure would be they are built in an a scalable and environmentally friendly way.

53 See section 4.22 of SRN14: Customer Insight technical annex
54 SRN14: Customer Insight technical annex, Section1: Index, 153 – Waterside wellbeing report – Oct '22
55 SRN14: Customer Insight technical annex, Section1: Index, 153 – Waterside wellbeing report – Oct '22
56 See section 4.22 of SRN14: Customer Insight technical annex
57 See section 4.22 of SRN14: Customer Insight technical annex
58 SRN14: Customer Insight technical annex, Section1: Index, 123 – Updated regional insight brochure final and 145 – Regional Focus April 2023 Key Findings Report – April '23
59 Section 2.3 of SRN14: Customer Insight technical annex
60 SRN14: Customer Insight technical annex, Section1: Index, 191 – Reputation Deep Dive – Summary Presentation Aug '23

We see this environmental focus in their priority scoring, with future customers placing much greater emphasis on carbon and net zero and less on overall bill affordability, but maintaining support for vulnerable customers.

In long term engagement they do not see a trade-off between the environment and the economy – 'why should one flourish at the other's expense'. They provide us with three major challenges to the industry and see that collective action is needed.

Future customers: three key demands of the industry

1 **We want change to be faster and more radical.**
The industry has the correct targets but is moving too slowly. We need systemic change to tackle the climate crisis.

2 **We want consumption of water to be fairer to the planet.**
They want a symbiotic, rather than exploitative relationship between industry and the environment.

3 **We want consumption of water to be fairer to each other.**
They want to ensure that everyone has access to water and that everyone plays an equal part in conservation.

Figure 9: Demands of the industry

Non-household customers

Smaller businesses often share views similar to households. Their attitudes and beliefs are reflected in the differences we see from our household segments and the unique experiences everyone has.

However, larger businesses tend to be more appreciative of the challenges we face. While they agree with the overall priority offering, they tend to favour areas such as bill affordability and reliable supply of water to help with budgeting and business stability. As such, when acceptability testing our plan, we saw less demand to be more ambitious.

Developer, Self-laid providers and NAV customers agree with overall priorities but are more focused on their direct day-to-day needs. These customers have unique requirements from their supplier and their priority is for a good, easy experience so they can deliver the service to their customers. Our continuous improvement for developer services is a key part of our retail plan for these customers.

Vulnerable customers

Our most vulnerable customers have the same priorities as everyone else. The difference is that their circumstances can make things more difficult. Their individual situations are unique: some have multiple vulnerabilities that can intersect and compound their difficulties, meaning they need more support. Others may only need little additional support and some need none.

In testing of the plan, their circumstances can mean they need to focus on the shorter term. They support the need for longer term investment to drive improvement and do not want future generations to pick up the bill. However, keeping bills as low for as long as possible can help them manage in the shorter term. As such, they tend to be less demanding of greater ambition compared to some household customer segments. Following their feedback, we will increase the number of customers we can support through our social tariff.

Diverse cultures

Overall priorities from more diverse cultures are consistent with other households. However, there can be slightly more prominent trust issues in communities where there is a language barrier. When customers are unable to access information directly on issues due to the language barrier, they resort to word of mouth which can in itself lead to distortion of facts or unfounded fears.

The cultural context of some of these diverse communities has revealed some differences in attitudes to water as a resource and to wider environmental issues than is the case amongst the broader customer base. Much of this comes from first generation migrants who retain views from their country of birth. We need to engage more widely with these diverse communities. By understanding their challenges and engaging on our plans we can highlight help and support that is available for these customers. Following this feedback our next phase of our engagement strategy will see us working more closely with community leaders help better reach these audiences.

Stakeholders

Many of our stakeholders have lost trust in us. However, when engaged many are keen to play a role with their expertise to help deliver better outcomes for customers. They agree with the customer priorities and their knowledge means they are able to help highlight the conflicting interconnections for what we deliver. For example, the impact of reducing pollutions or leakage on carbon levels.

Local issues and areas impacted by the stakeholder's organisation can influence their priorities. Growth and infrastructure keeping up with demand can be a key issue, especially in places like North Sussex with challenges around water neutrality. In South Hampshire several loss of supply incidents in 2022/23 has placed greater focus on resilience. In Kent the protection of the coastline to communities is especially prominent, especially with several campaign groups.

We have strengthened how we work with stakeholders to help us collaborate on major issues, such as storm overflow reduction. We track our performance with regular feedback, hold regional workshops that start with open discussion around challenges and through 2022 introduced regular newsletters to help build on relationships.

3.4. Feedback on our proposed plan

3.4.1. How customers have responded to our plan

Acceptability of our plan

"Customers are mostly lending Southern Water their support for the Proposed Plan, but many still have doubts about deliverability and transparency".

Support is driven by the plan focusing on what matters to customers

Our plan focuses on what our customers want. Through in-depth evaluation of our plan, 68% of our dual service customers supported the plan as acceptable[61]. This is because it focuses on the right things, is good for future generations and environmentally friendly.

Opposition is driven mainly by a lack of trust

For those who found the plan unacceptable it was mainly because they think investment should be funded from profits or there is a lack of trust.

Support for the plan:

- Addresses some of the big challenges from a wastewater, environmental and water supply perspective
- Is seeking to address performance decline
- Is trying to make changes now rather than leave them for future generations to deal with
- Is asking for a sizeable bill increase from customers, but one that for most will be affordable

Challenges to the plan:

- Is it deliverable for a company with our recent performance record?
- Does it set too much ambition in the lead-up to and insufficient ambition during AMP8?
- Does this plan offer sufficient financial support to those on average incomes who are struggling?
- Do we shoulder enough of the financial burden itself to mitigate the financial impact on customers?

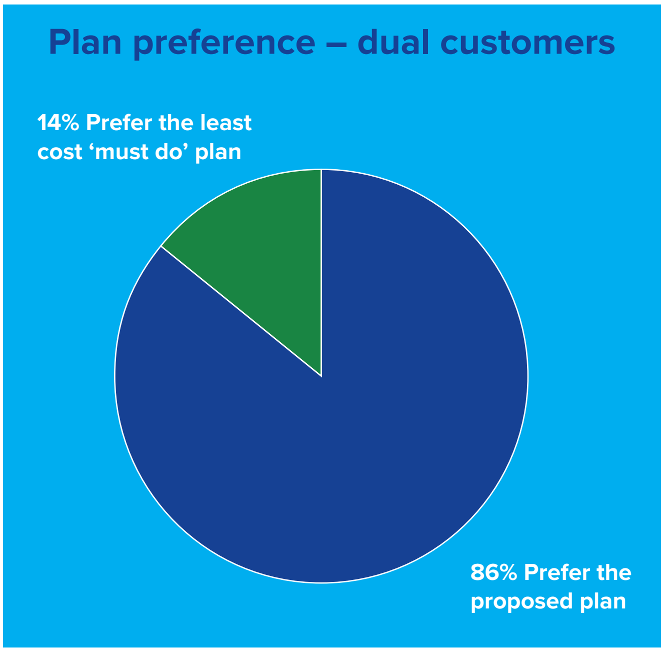
From the proposed plan we tested there were three main areas where customers wanted to see more ambition:

- **Storm overflows –** they supported the regulatory targets and a proposal to go further by tackling the top spilling overflows. However, they want us to be more ambitious
- **Pollution –** they supported the trajectory but wanted the improvement to continue with more ambition throughout 2025–2030
- **Leakage –** although surprised at our current performance compared to the industry, they want more ambition given the volumes of water lost in the context of asking customers to be more water efficient

Larger businesses and vulnerable and low-income customers were more likely to feel the plan had sufficient ambition. Businesses appreciate the challenges we face, whereas vulnerable and low-income customers are more cost conscious. Future customers, some households and micro businesses were most challenging on ambition. This was driven by those more environmentally focused and coastal communities.

Customers prefer our proposed plan

Customers prefer our proposed plan over our least cost plan. Additional investment into reducing spills from storm overflows is the main driver for preference of our proposed plan. Sewer infiltration feels as if it would worsen over time, so customers felt it important to address now. Customers debated whether investment into resilience (power and coastal) should be funded by customers or Southern Water. However, the relatively low impact on bills and important meant most customers found it acceptable.



61 SRN14: Customer Insight technical annex, Section1: Index, 207a – FINAL Acceptability and Affordability Presentation – June '23

In our quantitative testing we saw similar levels of customers finding the plan acceptable (49%) vs unacceptable (41%). For those that support the plan it is because it prioritises the right areas for improvement, starting to tackle issues now so they do not become more of a burden for future generations. For those opposed, recent performance data and legacy pollution issues heighten scepticism amongst customers about whether our plan can all be delivered. Customers do not oppose the content of the plan. In further analysis we see major differences in satisfaction levels.

Customer satisfaction is a main driver to feedback on our plan

The key driver for opposition to the plan is current dissatisfaction with us. With shadow testing of our plan (using an online panel), we ran another wave of affordability testing at the same time as the main project. We used the same stimulus materials as in the main test and used an average bill amount. However, we asked customers in the research to think about how their bill would differ depending on their water use.

From this research we saw that satisfied customers (scoring 8–10 out of 10) provided 79% for the proposed plan. However, those less satisfied (0–5 out of 10) only scored at 29% acceptable. In further analysis looking across other types of testing[62] shows this impact consistently across plans and proposals. Using industry analysis[63] (C-Mex) we see our reputation is currently significantly below the industry, which means dissatisfaction will naturally lower our plan scores.

While the level of support is concerning, our in-depth deliberative research and additional analysis has shown that the major issues are with trust in us to deliver, rather than to our proposed plan. This highlights the importance of our Turnaround Plan and focus on operational improvement to rebuild trust with our customers.

Affordability of our plan

In our deliberative research, 24% of dual customers said they would find the plan difficult to afford and there is an underlying belief that bills will rise in the future – 80% of customers assume water bills will rise in the future[64]. Customers finding the bill unaffordable is about the squeeze being felt by all customers now and the impact this increase will have.

There is some principled resistance on fairness – driven by lack of trust in the sector and with ‘big business’. Customers supported proposals to widen the reach of support for vulnerable customers. Those already on discounted tariffs describe positive experiences, but some are unsure how they would access the support.

Customers are concerned about increases to bills

However, through our affordability testing 51% said they would find our future bills difficult to afford. This is a real concern, so we spent time analysing the feedback from our customers. The current cost-of-living crisis has hit customers hard. The majority have struggled to pay at least one bill in the last year, and few believe that things will improve soon. While a lack of acceptance of our plan relates to scepticism around water company profits and a lack of trust in general. Customers do not reject the plan based on its content, focus, or its affordability.

Customers want to invest now for future generations

Despite this significant worry about finances, more customers support more immediate bill increases, rather than putting off investment in these important issues. Customers want the investment funded via increases starting sooner and spreading across different generations of bill payers. In response to this feedback, we have developed alternative delivery routes, included phasing of investment, are trialling new tariffs and will increase the support we offer. This is so we can help keep bills as affordable as possible while delivering the investments our customers want.

Across our plan testing we identified seven themes foundational to an acceptable plan for our customers:

1. **Performance –** we need to get the basics right and improve our performance in key areas for customers
2. **Environment –** protecting and improving our environment is the most important area – from saving more water from leaks to reducing pollutions and our use of storm overflows
3. **Ambition –** we should be ambitious but this has to be credible and measurable – we need to show tangible progress
4. **Affordability –** increased bills mean we need to enhance the protection we provide for those worst affected by price rises
5. **Innovation –** doing things differently should be by default – customers expect us to embrace innovation and new technology
6. **Customer-led –** our plan has to be customer-led – their views have to have weight and meaning
7. **Trust –** we have to be transparent on our performance, how we are financed and how much we return to shareholders – being credible is one of the most important ways to rebuild trust

We have measured our plan against these themes. Our customers are lending us our support and want us to succeed. We need to deliver for them.

62 See section 4.4 of the SRN14: Customer Insight technical annex
63 SRN14: Customer Insight technical annex, Section1: Index, 191 – Reputation Deep Dive – Summary Presentation – Aug ‘23
64 SRN14: Customer Insight technical annex, Section1: Index, 201a – Water Futures Quant Wave 1 – June ‘22

The table below shows how we responded to customers' feedback in key areas.

Table 4: How we applied customers' feedback to our plan

We heard ...	... So we	We then heard ...	... So we then
Performance – We need to get the basics right and improve our performance in key areas for customers.	Developed a plan that places emphasis and ambition on top priority areas – reducing the use of overflows, pollution, future water supplies and ensuring greater resilience to current water services. We are focused on the core service by not developing lots of bespoke performance commitments.	We agree with your areas of focus, but we want to see more ambition on pollution and leakage.	Re-worked our plans to target upper quartile performance for our pollution.
Ambition – We should be ambitious but this has to be credible and measurable – we need to show tangible progress. Storm overflows is a top priority to improve.	Made sure our customers led where we put ambition. Overflows and extra resilience. We developed a plan that prioritises storm overflows on environmentally sensitive areas. We went further by recommending we target the high spilling areas. Leakage plans are addressing the root cause with our largest ever mains renewal programme.	Customers challenged our proposed plans and want us to be more ambitious.	Targeted overflows that impact the use of bathing waters. We also created an interactive map so all customers can see the overflows that matter to them.
Affordability – Increased bills mean we need to provide protection for those worst affected by price rises. You should fund more from profits, support more vulnerable customers and introduce new reward tariffs.	Created an efficient plan that focuses where customers would like. We balanced phased options based on customer support – carbon and marginal nutrient benefits. We tested new reward tariffs. From 2024 we are trialling new household tariffs to introduce in 2025–2030 that will help customers with essential use and reward more efficient usage. We're also introducing a change to surface water drainage charges for fairer bills.	Customers were still concerned on those that needed most help and middle income earners who would feel the 'squeeze' on any bill increase.	We developed alternative delivery routes to help smooth the impact to customer bills. We are proposing to increase support with our 45% social tariff discount to over 200,000 customers and ensuring we keep our other support measures.
Environment – Protecting and improving our environment is the most important area. Put the environment first and use natural solutions first.	Ensured our plan has put the environment first. We prioritised the environment in our choices of overflows and natural capital solutions, nutrient removal schemes, abstraction priorities and are using demand management as far is possible.	Customers want the use of natural solutions for overflows that address the root cause and questioned some storage construction.	Continued to prioritise the right blend of solutions with an approach that focuses on testing and learning.
Innovation – Doing things differently should be by default – customers expect us to embrace innovation and new technology.	Have innovation across our plan. For overflows, we're using trials done now to inform how we deliver efficient and impactful improvements in 2025–2030. We are introducing smart meters to detect leaks. We're digitalising our water and wastewater networks to monitor and proactively tackle problems before they arise.	Collaborate to tackle wider issues such as nutrients and water quality. Famers supported the plans for advanced digestion.	Continue to work with farmers and landowners to improve raw water quality. We plan to introduce advanced treatment approaches across Kent using their insight to better engage.
Customer-led – Our plan has to be customer-led – their views have to have weight and meaning.	Enabled our customers to drive our plan decisions – including the profile of the bill, where we place our ambition, how we tackle leaks, the use of innovation, the phasing of delivery, our smart metering and advanced digestion strategies, the new water sources we are developing we deliver our water resilience strategy.	To focus on resilience and sewer infiltration options to prevent them getting worse but did question who should fund.	Introduced the resilience and inflation options into our plan. We re-looked at costs to reduce the investment needed for our water resilience strategy.
Trust – We have to be transparent on our performance, how we are financed and how much we return to shareholders – being credible is one of the most important ways to rebuild trust.	Have a new management team in place with a Turnaround Plan focusing on the areas that really matter. We have strengthened our communications team and are proposing a new CRM system to help improve service. Our customer insight is central to what we do, high quality and continuous.	Whilst customers lent support for the plan, there are many that still lacked trust in our ability to deliver.	We developed a Trust and Reputation strategy to help ensure we best communicate performance and progress on the issues that matter.

For more information on how customer feedback has changed our plan, see the introduction section of the technical annex SRN14: Customer Insight.

3.5. Future engagement plans

Engaging with and listening to our customers and communities is part of our everyday activity. It is a central part of our Turnaround Plan and crucial to deliver our Business Plan and regain our customers' trust.

For example, we are already running research through a twin phased approach to provide a communication framework for price increases linked to investment. The findings from this project will help us be more transparent with showing what our investment delivers.

We are committed to continuing high-quality engagement with our customers. We will:

- Continue working with our panel customers who have been central to our plan to create an even greater two-way dialogue and applying lessons learnt
- Keep our customers at the centre of our Turnaround and Business Plan – embedding the customer voice into all our plans
- Track major events that might influence our customers' expectations so we can adapt to these changes in future
- Continue improving how we engage with our diverse communities to ensure our insight reflects their needs
- Build on our collaborative insight with other water companies – sharing best practice and deepening our collective understanding of customers' needs

3.6. The role of challenge and assurance

1	**Customer and Communities Challenge Group**	To provide help on areas of expertise and challenge on customer feedback on our proposed Business Plan
2	**Independent Climate and Environment Group**	To provide specialist and technical challenge and advice on environmental performance and strategies
3	**Customers**	The use of informed customer panels to provide more open and more inclusive challenge
4	**External quality assurance and advice**	Technical support on quality of insight so stakeholders and customers can focus on what matters to them

Figure 10: Our ICG arrangements

Ofwat and CCW recommended flexibility for companies to have 'Independent Challenge Group' (ICG) arrangements. We designed our Independent Challenge Group to have the greatest impact for customers. The core elements enable each area to play to its own strengths and expertise to drive action. Our ICG is made up of four key areas of challenge:

1. **Customer and communities Challenge Group –** a group made up of customer experts representing different audiences from across our region. The group has engaged and helped us on both planning and day to day activity on the areas most important to customers. This includes tangible improvements to communications (such as during the temporary use ban in 2022), revisiting our storm overflows targets and using their networks to help improve the support we offer vulnerable customers. The group played a key role in ensuring our materials for testing of the plan were fit for purpose.

   They endorse the feedback we have heard from customers as accurate. We will continue to be challenged by the group as we move into delivery of the 2025–2030 plan.

Summary of the Challenge Group statement from members:

"Overall, the Group considers the process adopted by Southern Water for the independent assurance of its research and engagement was effective. The company has been open in sharing research findings and reports of its independent assurers, which included a presentation from the company carrying out the A&A research.

We are satisfied that the company's priorities reflect those identified through its engagement with customers and communities. We agree the most important areas for Southern Water are improving environmental performance, engaging customers, and supporting those that need it to help keep bills affordable. To *rebuild trust it is vital that the company meets its commitment to being open, honest, and transparent.*

While the PR24 Business Plan is not yet finalised, the Group is happy that the draft plan reflects customers' priorities and that the company has effectively listened to customers in its development."

2. **Our household, future and business panel have had bespoke committees –** made up of a small number of customers from the panel. Following the completion of a key stage of research these groups review the research reports to help calibrate and ensure they represent customers' views. As more informed customers, they are then able to raise areas of further challenge.

"I have found being involved and part of Southern Water's Water Futures 2030 committee very interesting and informative. I feel that we are being provided with information and details of how the company has a robust plan in place to make crucial decisions for the future. With each committee meeting I feel that myself, and the group have an opportunity to put their views forward and are able to debate openly areas of interest, and issues of concern. Personally I have enjoyed the sessions and feel that the input provided by those taking part are being listened to and acknowledged."

Household Customer Committee Member

"As a member of the public and representative of Pakistani Diaspora living in Hampshire it was very important to gather our views and concerns on the proposed plans. Our views were taken on board and we feel that they were listened to and acted upon. It was a great opportunity to share our views and we feel empowered to speak up on issues which will involve and affect the local communities and to challenge Southern Water to listen to our feedback. These sort of engagement sessions are very important and they should continue to keep general public in the loop and to build their trust in Southern Water."

Community Representative Member

3. **External quality assurance and advice has shown our engagement is of high quality[65] –** Sia Partners has provided external assurance to our engagement.

   Their assurance outcome statement states: *"Following our review of Southern Water's PR24 customer engagement programme approach and evidence, it is Sia Partners' view that the programme meets Ofwat's standards for high quality research and that there is demonstrable evidence that the business has used customer research to inform its PR24 Business Plan and Long-term Delivery Strategy."*

65 See the SRN14: Customer Insight technical annex, Section 5.4 for the full assurance statement

We reviewed our 4 elements of assurance to ensure they deliver against the guidance from an Ofwat position paper[66].

Table 5: How we met Ofwat's expectations

Ofwat expectations	
Independence	All stakeholders recruited are independent of Southern Water. Our accredited research partners facilitate the discussions with customers to maintain independence. External assurance is run by independent experts.
Board accountability	The board attends every Customer and Communities Challenge Group meeting, with 5 different members joining key meetings. Our Environment and Customer groups have also shared feedback directly to the board. Summary from our groups has also been presented to our board.
Ongoing	All groups and assurance are ongoing as detailed in the summary of approaches in the sections below.
Informed	A deliberative process was used to provide regulatory and wider industry information to members across all groups. This is to ensure an unbiased understanding of the key pieces of information needed in their respective tasks.
Transparent	All notes from meetings are recorded and shared with members. Main findings from customer panels are reviewed by customers involved.
Representative	Our stakeholder groups have a range of members with different expertise to represent our key customer groups. Demographics and regional differences are used in our customer panels.
Comprehensive	The range of topics covered are for all the areas that matter most to our customers. The groups themselves have driven the content to ensure we cover the correct topics of interest.
Timely	Each of the groups started early in the PR24 process with regular meetings / reviews to ensure sufficient time to cover areas of challenge.

For more information on each of the four challenge and assurance approaches, please see section 5 of SRN14: Customer Insight technical annex

For more detail on our board assurance see chapter SRN11: Data and Assurance technical annex.

66 PR24 and beyond: Customer engagement policy – a position paper – Ofwat