south east water

PR19 Customer Challenge Group

Meeting number: 11

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Paper No: 5

Agenda No: 8

Title: **NHH Market Overview**

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Printing: This document does contain some graphs or pictures and therefore does require you to print in colour.

What is this paper about:	Developments in the NHH Market over the last 14 months and an overview of Retailer and NHH Customer engagement, research and findings
What is the context of this paper:	NHH customers represent 5% of our customer base and 10% of our water supply use and so are an important stakeholder to consult as part of our business planning process
What is the relevance of this paper:	This paper sets out an overview of the market which has informed our research programme and customer segmentation.
Action needed from the CCG:	Paper for comment.

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PR19 NHH Market Overview

NHH Market Overview

Business Segments (Address Base)	SPIDs	SPIDs %
Retail	19,352	36%
Agricultural	8,776	16%
Mixed / Domestic (home business, care homes)	8,592	16%
Industrial	7,421	14%
Community (Village hall, Church)	3,465	6%
Educational	1,640	<5%
Leisure (gym's, swimming pools)	1,603	<5%
Medical (Hospitals, Doctors, Dentists, Vets)	1,202	<5%
Hotels	564	<5%
Other	1,460	<5%
	54,255	

Retailers		SPIDs
Choice (SER)	50,974	94 %
Buisness Stream	1,412	3%
Severn Retail	618	<1%
Castle	346	<1%
Everflow	337	<1%
Sutton	246	<1%
Anglian	214	<1%
Self Retail	108	<1%
Other	391	<1%

NHH Market Overview

- Live from April 2017, 32 Registered, 18 Active Retailers
- Fines (failure against SLA's on transactions) implemented from April 2018
- Low volume of switching circa 6%
- Development of 'self retail' – pub chains, but may grow
- Several 'niche' retailers
- CMOS still has bugs and needs continued development
- Data remains the biggest challenge across the sector

SEW Wholesale Market

- 95% Metered SPIDs
- 1822 (3%) Monthly read (large users)
- 16,614 (30%) water only (unpaired SPIDs)
- Transactions (per month)
    - Trace, locate and verify (74)
    - Meter exchange (49)
    - Leak allowances (34)
    - De-registration (18)
- Complaint rates remain very low < 5 per month

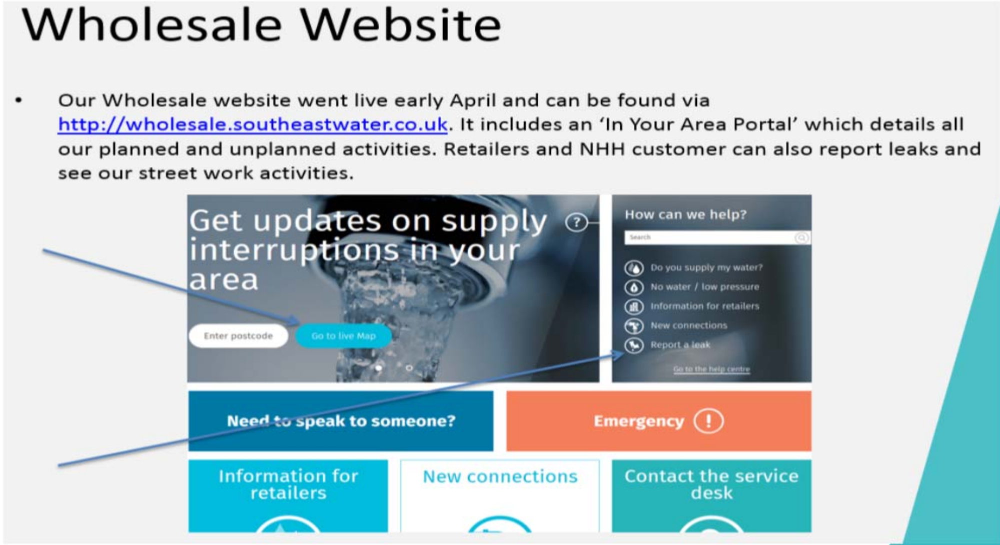
Retailer Engagement

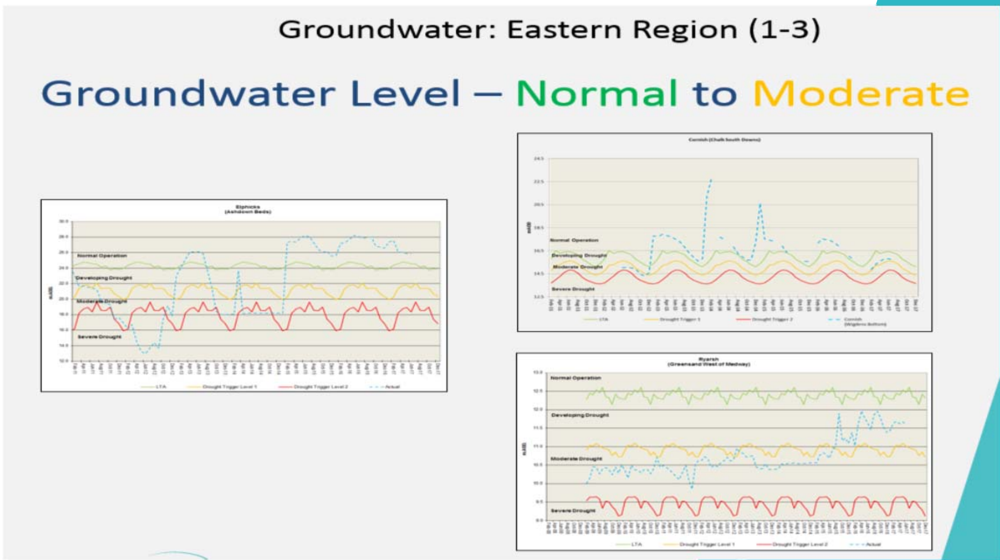
Annual Open Day
- Themed event (drought – was last years topic)
- Discuss policies and proposed tariff changes
  - New assessed charge
  - Leak allowance policy
- Limited attendance (Retailer availability after market opening)

Complex Case Surgeries
- Weekly open invite
  - Typically shared supply / networks
  - Can't access
  - Leaks / enforced repairs

Data Workshops
- SPID pairing (Wholesalers)
- De-registration

Castle Water
- Accredited entity scheme
- Large user tariffs





Retailer and NHH Summary

NHH Segments

- Small number of large water users (hospitals, university, MoD, agricultural)
- Large number of SME's
  - Act and respond very similar to HH customers as water is mainly used for domestic purposes
- Retail segment are 'switchers' – national chains
- Self Retail – significant trend and likely to grow
- Agricultural and Mixed are where data issues lie (troughs)

NHH Market

- System issues are frustrating and process labour intensive
- Contact volumes low along with retailer engagement – website makes information and contact simple
- Transaction volumes are low, but anticipated to increase
- Switching impacted by dual water and waste bills

Tariffs and Charges

- Leak allowance scheme – working well with few complaints
- Assessed charge changes – starting to be implemented, should help minimise 'losers' from metering programme

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PR19 NHH engagement summary

Customer Priorities

Current priorities

Future priorities

Resilience options

Four extended deliberative workshops

- Broadly mirror HH priorities but greater environmental influence on supply/demand management
- Have a greater interest on balancing corporate social responsibility factors, customers' needs and investment
- Additional requirement of supporting local business growth.

- NHH appear to be more future focused than HH customers.
- Longer term, they are interested in innovation, community projects, , sophisticated pricing and demand management - some overlaps with HH customers who focus on innovation, community projects, self-sufficiency, cost based demand management, and enhanced product delivery
- To push boundaries further, NHH customers want to see more evidence of better water efficiency and innovation

- WRMP resilience option choices were highly consistent between HH and NHH customers.
- However, the approach to choosing them was slightly different. NHH customers trying to balance cost, environment & social responsibilities while HH were mainly driven by environmental impact
- Investment in license trading, leakage reduction & water treatment works seen as critical 'BAU' solutions that should form part of core resilience programme

WRMP summary

Business activity	Frequency (N (%))
Government, health & education	38 (19%)
Wholesale and retail trade (incl. motor vehicles repair)	35 (17.5)
Business services	26 (13%)
Other service activities (Trade Unions, Churches, Repair services, Funeral-related services, Hairdressers)	21 (10.5%)
Arts, entertainment and recreation	17 (8.5%)
Manufacturing	16 (8%)
Hotels & catering	14 (7%)
Agriculture, Forestry and Fishing	13 (6.5%)
Finance and insurance activities (incl. real estate activities)	11 (5.5%)
Construction	5 (2.5%)
IT and Communication	2 (1%)
Transport and storage	2 (1%)

Number of employees	Frequency (N (%))
None, sole trader	16 (8%)
Less than 4 employees	60 (30%)
4 to 49 employees	82 (41%)
50 to 249 employees	24 (12%)
Over 250 employees	18 (9%)

Annual bill size	Frequency (N (%))
Small (<£1,000/nhh/yr)	128 (64%)
Medium (£1,000-£19,999/nhh/yr)	74 (37%)
Large (≥£20,000/nhh/yr)	7 (14%)

- Telephone survey with 200 NHH customers
- Water resource priorities similar to households, with reducing leakage being the top priority and underground storage ranking highly
- As with households, NHH customers also ranked desalination & catchment management as low priorities
- The main points of difference was that higher water efficiency was a lower priority for businesses than households, while new surface water reservoirs was a higher priority for NHH customers

Willingness to Pay summary

Business activity	Frequency (N (%))
Wholesale and retail trade (incl. motor vehicles repair)	47 (23.5%)
Government, health & education	43 (21.5%)
Business services	26 (13%)
Agriculture, Forestry and Fishing	22 (11%)
Manufacturing	10 (5%)
Hotels & catering	10 (5%)
Finance and insurance activities (incl. real estate activities)	10 (5%)
Transport and storage	8 (4%)
Arts, entertainment and recreation	8 (4%)
Other service activities	8 (4%)
Construction	6 (3%)
IT and Communication	2 (1%)

Number of employees	Frequency (N (%))
None, sole trader	15 (7.5%)
Less than 4 employees	59 (29.5%)
4 to 49 employees	83 (41.5%)
50 to 249 employees	28 (14%)
Over 250 employees	15 (7.5%)

Annual bill size	Frequency (N (%))
Small (<£1,000/nhh/yr)	119 (59.5%)
Medium (£1,000-£19,999/nhh/yr)	74 (37%)
Large (≥£20,000/nhh/yr)	7 (3.5%)

- Telephone survey with 200 NHH customers
- Non household customers, like households, appear to be opposed to bill reductions to the extent that they would seemingly prefer any marginal improvement in service, or avoided deterioration, in preference to bill reductions.
- Have particularly high values for leakage reduction, avoiding supply interruptions and reducing carbon emissions, but little or no value for reducing the frequency of water use restrictions (non-essential use bans or rota cuts).

Outcome Delivery Incentives

- Telephone survey with 120 NHH customers

Business activity	Frequency (N (%))
Construction	14 (12%)
Manufacturing	16 (13%)
Transportation, Communications, Electric, Gas and Sanitary service	10 (8%)
Wholesale Trade	7 (6%)
Retail Trade	17 (14%)
Finance, Insurance and Real Estate	10 (8%)
Services	31 (26%)
Public Administration	1 (1%)
Other	14 (12%)

- Majority customer support for the principle that price should be linked to quality of service

- More than 70% of non-household customers agreed with this principle, with this viewpoint being translated into acceptance of their water bills going up or down by (±2% of average bills) on average.

- Majority customer support for greater compensation payments to customers who actually experience supply interruptions and a lower amount to the paid to everyone.

Conclusions & Next Steps

- Four key research challenges with range of NHH customers participating, and varied water dependency
- Multiple challenges identified with financial concerns meaning NHH seem more price sensitive than HH
- **BUT** current level service is very good – minimum of fuss and value for money
- Different strands of research show high levels of consistency as well as the qual and quant being mutually supportive
- Points of difference on *current priorities* are balancing CSR factors, customer needs & investment, as well as supporting local business growth. WtP priorities would support this in terms of reducing leakage, avoiding interruptions to supply and reducing carbon emissions
- Commonality with HH on *future priorities* – innovation, community projects and demand management – but NHH want more sophisticated pricing and more evidence/visibility of better water efficiency and innovation
- High levels of consistency with HH in terms of resilience options but NHH more focussed on CSR. Resilience is understood, and solutions are explored within framework of environmental impact, social needs & cost. WRMP priorities back this up with leakage as top priority and desalination as low priority.
- Very similar views to HH on rewards & penalties – acceptance of variable part of bill being ±2% of average bills; also supportive of greater compensation payments to customers who actually experience supply interruptions and a lower amount to the paid to everyone.
- Research with large users and business retailers currently being undertaken – due to be completed by 6th July